

SAN FRANCISCO PUBLIC LIBRARY



3 1223 06446 5959

5/5




San Francisco Public Library

Government Information Center
San Francisco Public Library
100 Larkin Street, 5th Floor
San Francisco, CA 94102

REFERENCE BOOK

Not to be taken from the Library



Digitized by the Internet Archive
in 2013

<http://archive.org/details/1minutes200203sanf>



City and County of San Francisco
Meeting Minutes
Finance Committee

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

Wednesday, December 04, 2002

12:30 PM

City Hall, Room 263

Regular Meeting

Members Present: Aaron Peskin, Sophie Maxwell.

Members Absent: Chris Daly.

MEETING CONVENED

The meeting convened at 12:38 p.m.

021339 **[Financial Information Privacy]**

Supervisors Peskin, Daly

Ordinance amending the San Francisco Business and Tax Regulations Code to enact a new Article 20 to provide for the protection of private financial information.

7/29/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 8/28/2002.

10/16/02, CONTINUED TO CALL OF THE CHAIR. Heard in Committee. Speaker: Dorji Roberts, Deputy City Attorney. Supervisor Daly added as co-sponsor.

Heard in Committee. Speakers: Shelly Curran, Consumers Union; Linda Ackerman, Legal Counsel to Privacy Activism; Richard Holliber, Executive Director, Consumer Federation of California; Mike DeCastro; Dorji Roberts, Deputy City Attorney; Nathan Nayman, Executive Director, Committee on Jobs; Lee Blich, President, Chamber of Commerce; Leland Chan, California Bankers Association; Karen Pierce, President, Bayview Hunters Point Democratic Club.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING SAME TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

021752 [Reserved Funds, Department of Children, Youth and their Families]

Hearing to request release of reserved funds, Department of Children, Youth and their Families, fiscal year 2002-03 budget, in the amount of \$700,000 to fund programs for the community-based organizations. (Mayor) 10/31/02, RECEIVED AND ASSIGNED to Finance Committee.

11/13/02, CONTINUED. Heard in Committee. Speakers: Brenda Lopez, Director, Department of Children, Youth and Their Families; Supervisor Sandoval; Margaret Brodtkin, Director, Coleman Advocates for Children and Youth.

Continued to 11/20/02.

11/20/02, CONTINUED. Heard in Committee. Speakers: Brenda Lopez, Director, Department of Children, Youth and Their Families; Supervisor Sandoval.

Continued to 12/4/02.

Speakers: None.

Continued to 12/11/02.

CONTINUED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

021879 [Official Advertising]

Resolution designating the San Francisco Independent to be the official newspaper of the City and County of San Francisco for the category of non-consecutive day official advertising, for the period commencing January 1, 2003 and ending June 30, 2003. (Purchaser)

(Public Benefit Recipient.)

11/20/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the December 4, 2002 meeting.

Heard in Committee. Speakers: Judith Blackwell; Mike Ward, Purchasing Department.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

021894 [Multifamily Housing Revenue Bonds - Carter Terrace]

Supervisors Maxwell, Daly

Resolution authorizing the issuance and delivery of multifamily housing revenue bonds (as defined herein) in an aggregate principal amount not to exceed \$17,000,000 for the purpose of providing financing for a multifamily rental housing project; approving the form of and authorizing the execution of an indenture providing the terms and conditions of the bonds; approving the form of and authorizing the execution of a bond purchase contract providing the terms and conditions for the sale of the bonds; approving the form of and authorizing the execution of a regulatory agreement and declaration of restrictive covenants; approving the form of and authorizing the execution of a loan agreement; approving the form of and authorizing the execution of an intercreditor agreement; approving the form of and authorizing the preparation and distribution of an official statement relating to the bonds; making low income housing findings; ratifying and approving any action heretofore taken in connection with the bonds and the project; approving and authorizing the execution and delivery of any document necessary to implement this resolution; and related matters.

(Public Benefit Recipient.)

11/12/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the November 20, 2002 meeting.

Heard in Committee. Speakers: Joel Lipski, Mayor's Office of Housing.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

020663 [Extension of Sunset Clause - Utilization of Bid/RFP Process for Awarding of Parking Authority Leases and Management Contracts]

Ordinance amending Section 17.11 (a) of the San Francisco Administrative Code to extend the authorization of the Parking Authority and the Municipal Transportation Agency to utilize a Bid/RFP process for the awarding of all leases and management agreements for the use or operation of parking facilities. (Parking and Traffic Department)

4/24/02, RECEIVED AND ASSIGNED to Finance Committee.

7/31/02, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

11/26/02, ASSIGNED to Finance Committee.

11/26/02, SUBSTITUTED. Parking and Traffic Department submitted a substitute ordinance bearing new title.

Heard in Committee. Speakers: Scott Ruble, Parking Authority, Department of Parking and Traffic; Ron Szeto, Parking Authority; Harvey Rose, Budget Analyst.

Amended by adding "the Department shall report to the Board by June 1, 2003, on the development and use of performance measures." Further amended by adding the following Section 2:

"The Department shall Develop and Utilize quantitative, outcome-based performance measures to aid in the measurement of garage operator performance. The department will report these measures in writing to the Board by June 1, 2003."

AMENDED.

Ordinance amending Section 17.11 (a) of the San Francisco Administrative Code to extend the authorization of the Parking Authority and the Municipal Transportation Agency to utilize a Bid/RFP process for the awarding of all leases and management agreements for the use or operation of parking facilities; the Department shall report to the Board by June 1, 2003, on the development and use of performance measures. (Parking and Traffic Department)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

021826 [Release of Funds, Department of Elections]

Hearing to request release of reserved funds, Department of Elections, fiscal year 2002-03 budget, in the amount of \$1,322,849 to fund the December 10, 2002 run-off election. (Elections Department)

11/4/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled at the November 13, 2002 meeting.

Heard in Committee. Speakers: Mr. Arntz, Department of Elections; Michael Mendelson, President, Elections Commission; Edward Harrington, Controller; Debra Newman, Budget Analyst's Office; Michael Hennessey, Sheriff.

Release of reserved funds in the amount of \$1,167,598 approved.

APPROVED AND FILED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

021796 [Port Security Services Civil Service Exclusion]

Resolution approving the Controller's certification that Port Area Security Services for the Port of San Francisco can be practically performed by a private contractor at a lower cost than if the work were performed by City employees at budgeted levels. (Port)

(Fiscal impact; No Public Benefit Recipient.)

10/25/02, RECEIVED AND ASSIGNED to Finance Committee.

11/21/02, SUBSTITUTED. Port submitted a substitute resolution bearing new title.

11/21/02, ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Joel Robinson, Port.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

021836 [Contracting out Status Offender Shelter and Intake Services]

Supervisor Gonzalez

Resolution concurring with the Controller's certification that Intake and Shelter Services to Status Offenders can be practically performed by private contractor for lower cost than similar services performed by city and county employees. (Juvenile Probation Department)

(Fiscal impact; Public Benefit Recipient.)

11/12/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Edward Harrington, Controller.

RECOMMENDED.. by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

021839 [Redevelopment Agency Budget Amendment for Fiscal Year 2002-2003]

Resolution approving an amendment to the Budget of the Redevelopment Agency of the City and County of San Francisco for Fiscal Year 2002-2003 by increasing the Agency's expenditure authority in an amount not to exceed \$43,100,000; authorizing the Agency's issuance of Tax Allocation Bonds, in one or more series, each in either Variable Rate or Fixed Rate Mode, in an amount not to exceed \$43,100,000; authorizing the Agency's receipt of additional Tax Increment necessary to repay the principal and interest on said bonds; and approving a Cooperation and Tax Increment Reimbursement Agreement with the Agency with respect to the Yerba Buena Center Redevelopment Project Area. (Redevelopment Agency)

11/14/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the December 4, 2002 meeting.

Speakers: None.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

Resolution approving an amendment to the Budget of the Redevelopment Agency of the City and County of San Francisco for Fiscal Year 2002-2003 by increasing the Agency's expenditure authority in an amount not to exceed \$43,100,000; authorizing the Agency's issuance of Tax Allocation Bonds, in one or more series, each in either Variable Rate or Fixed Rate Mode, in an amount not to exceed \$43,100,000; authorizing the Agency's receipt of additional Tax Increment necessary to repay the principal and interest on said bonds; and approving a Cooperation and Tax Increment Reimbursement Agreement with the Agency with respect to the Yerba Buena Center Redevelopment Project Area; and authorizing an agreement between the Agency and the Parking Authority pertaining to the operation of the proposed Jessie Square Garage. (Redevelopment Agency)

(Fiscal impact.)

CONTINUED TO CALL OF THE CHAIR AS AMENDED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

Note: The Chair intends to entertain a motion to continue consideration of Item 10, File 021792, to the Call of the Chair:

021792 [Street Artist Certificate Fee Increase]

Ordinance amending Article 24 of the San Francisco Police Code by amending Section 2401.1 to increase the fee for a Street Artist Certificate. (Arts Commission)

(No Public Benefit Recipient.)

10/22/02, RECEIVED AND ASSIGNED to Finance Committee.

11/20/02, CONTINUED. Speakers: None.

Continued to 12/4/02.

Heard in Committee. Speakers: None.

TABLED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

Note: The Chair intends to entertain a motion to continue consideration of Item 11, File 021804, to the December 18, 2002, meeting:

021804 [Garbage Collection Truck Licensing Fee]

Ordinance increasing the licensing fee for garbage trucks and the amount deposited into the Mandatory Refuse Collection Service Fund by amending Section 249.6 of the San Francisco Business and Tax Regulations Code and Section 10.100-7 of the San Francisco Administrative Code and ratifying past actions taken in connection with such licensing fee. (Public Health Department)

(No Public Benefit Recipient.)

10/21/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 11/20/2002.

11/20/02, CONTINUED. Speakers: None.

Continued to 12/4/02.

Speakers: None.

Continued to 12/18/02.

CONTINUED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

021916 [Power Purchase Agreement]**Supervisors Maxwell, McGoldrick, Peskin**

Resolution approving a power purchase agreement with the California Department of Water Resources. 11/18/02, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at the December 4, 2002 meeting.

Heard in Committee. Speakers: Theresa Mueller, Deputy City Attorney; Ben Rosenfield, Mayor's Budget Office; Mr. Smeloff, Public Utilities Commission; Harvey Rose, Budget Analyst; Mike Thomas, Communities for a Better Environment; Karen Pierce, President, Bayview Hunters Point Democratic Club; Theodore Lakey, Deputy City Attorney.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

LITIGATION

Conference with City Attorney

[Convene in Closed Session]

Motion that the Finance Committee of the Board of Supervisors convene in closed session with the City Attorney, under the provisions of Government Code Section 54956.9 (a) and Administrative Code Section 67.8 (3), for the purpose of conferring with, or receiving advice from, the City Attorney regarding proposed settlements in the lawsuits or claims listed below.

021893 [Settlement of Lawsuit]**Supervisors Maxwell, McGoldrick**

Ordinance authorizing settlement of the lawsuit filed by the City and County of San Francisco, on behalf of the People of California, against the Williams Energy Companies; the lawsuit entitled *People v. Dynegy, et al.* was filed on January 18, 2001, and has been consolidated as Wholesale Electricity Antitrust Cases I & II in the United States District Court, Southern District of California, Case Nos. 02 CV 0990-RHW, CV 02-1000-RHW, 02 CV-1001 RHW; which settlement provides a modification of the long-term contracts between the State of California and Williams, transfer to the City and County of San Francisco of four electric generating turbines for use within the City, payment of approximately \$19 million to assist with siting and developing electric generating equipment in San Francisco and elsewhere; and payment to City and County of San Francisco of \$500,000 for attorney's fees and other expenses of litigation.

(No Public Benefit Recipient.)

11/12/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the December 4, 2002 meeting.

Heard in Committee. Speakers: Theresa Mueller, Deputy City Attorney; Ben Rosenfield, Mayor's Budget Office; Mr. Smeloff, Public Utilities Commission; Harvey Rose, Budget Analyst; Mike Thomas, Communities for a Better Environment; Karen Pierce, President, Bayview Hunters Point Democratic Club; Theodore Lakey, Deputy City Attorney.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

ADJOURNMENT

The meeting adjourned at 3:52 p.m.

CITY AND COUNTY



OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642

FAX (415) 252-0461

November 27, 2002

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: December 4, 2002 Finance Committee Meeting

Item 1 - File 02-1339

DOCUMENTS DEPT.

DEC - 3 2002

SAN FRANCISCO
PUBLIC LIBRARY

Note: This item was continued at the Finance Committee meeting of October 16, 2002. This report is based on the legislation in its current form. However, the Office of the Sponsor will introduce an Amendment of the Whole at the Finance Committee meeting of December 4, 2002.

Item: Ordinance amending the San Francisco Business and Tax Regulations Code to enact a new Article 20 to provide for the protection of private financial information.

Description: The proposed ordinance, to be known as the "San Francisco Financial Information Privacy Ordinance of 2002," would amend the San Francisco Business and Tax Regulations Code to require financial institutions to provide specified notice to, and to obtain the consent of their consumers before disclosing or sharing confidential consumer information with any third party. The proposed ordinance provides that a "financial institution" is defined as "any institution engaging in financial activities as described in Section 1843(k) of Title 12 of the United States Code and doing business in the City and County of San Francisco. An institution that is significantly engaged in financial activities is a financial institution."

Under the proposed ordinance, which, if approved, would become operative on January 1, 2003, a financial institution would be prohibited from denying a consumer a financial product or a financial service because the consumer has not provided consent to the financial institution to disclose or share the consumer's confidential information. In addition, the proposed ordinance would require that financial institutions which receive confidential consumer information from a third party take reasonable steps to ensure that the third party providing the information has followed the required notice and consent procedures, as contained in this proposed ordinance, prior to sharing confidential consumer information.

"Confidential consumer information" is defined as personally identifiable financial information (1) provided by a consumer to a financial institution, (2) resulting from any transaction with the consumer or any service performed for the consumer, or (3) otherwise obtained by the financial institution including any list, description, or other grouping of consumers, and publicly available information pertaining to them that is derived using any nonpublic personal information, but does not include any list, description, or other grouping of consumers, and publicly available information pertaining to them that is derived without using any confidential consumer information. According to the proposed ordinance, "Personally identifiable financial information means information (1) that a consumer provides to a financial institution to obtain a product or service from the financial institution, (2) about a consumer resulting from any transaction involving a product or service between the financial institution and a consumer, or (3) that the financial institution otherwise obtains about a consumer in connection with providing a product or service to that consumer."

The proposed ordinance provides that certain consumer information can be released by a financial institution, including: (a) information that is not personally identifiable to a specific consumer; (b) information that is necessary to effect, administer, or enforce a transaction requested or authorized by the consumer; (c) information

that is necessary to protect the confidentiality or security of the financial institution's records, to protect against fraud or for resolving consumer disputes or inquiries; (d) information to be released to persons holding a legal or beneficial interest in the consumer, or acting in a fiduciary or representative capacity on behalf of the consumer; (e) information to be released for insurance rate advisory organizations and other applicable rating agencies; (f) information to be released as required by various Federal and State laws, including the Right to Financial Privacy Act of 1978 and the Fair Credit Reporting Act; (g) information to be released in connection with sale, merger, transfer, or exchange of the financial institution; and (h) information to be released to identify or locate missing and abducted children, witnesses, criminals and fugitives.

The proposed ordinance would also establish civil remedies and penalties for violations of the provisions of the proposed San Francisco Financial Information Privacy Ordinance of 2002, which would become operative January 1, 2004. Any financial institution that violates the terms of this proposed ordinance would be liable for an administrative fine or civil penalty to be imposed by the City not to exceed the following amounts:

- \$2,500 for negligently disclosing or sharing confidential consumer information, upon the first violation;
- \$2,500 for knowingly and willfully obtaining, disclosing or using confidential consumer information, upon the first violation;
- \$10,000 for knowingly and willfully obtaining, disclosing or using confidential consumer information, upon the second violation;
- \$25,000 for knowingly and willfully obtaining, disclosing or using confidential consumer information, upon the third or subsequent violation;
- \$5,000 for knowingly and willfully obtaining, disclosing or using confidential consumer information for financial gain;
- \$25,000 for knowingly and willfully obtaining, disclosing or using confidential consumer information for financial gain, upon the second violation; and

Memo to Finance Committee
December 4, 2002 Finance Committee Meeting

- \$250,000 for knowingly and willfully obtaining, disclosing or using confidential consumer information for financial gain, upon a third or subsequent violation.

Comments:

1. According to Mr. Dorji Roberts of the City Attorney's Office, the proposed ordinance is modeled after Senate Bill 773, as amended in the California Senate on September 6, 2001. Senate Bill 773 failed to pass the Assembly on August 31, 2002.

2. Mr. Roberts explains that the proposed ordinance does not specify which City official(s) would be responsible for the assessment and enforcement regarding the provisions of the ordinance pertaining to civil remedies and penalties. Mr. Roberts could not provide any estimates of (a) the penalties which might be realized by the City and (b) the related administrative costs to enforce the proposed ordinance.

3. Mr. Roberts has advised the Budget Analyst that the Sponsor may introduce an Amendment of the Whole at the Committee meeting. As of the writing of this report, such amendments were not available and therefore have not been addressed in this report.

Recommendation:

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Memo to Finance Committee
December 4, 2002 Finance Committee Meeting

Item 2 - File 02-1752

Note: This item was continued by the Finance Committee at its meeting of November 20, 2002.

Department: Department of Children, Youth and Their Families (DCYF)

Item: Hearing to request the release of reserved funds in the amount of \$700,000 to fund programs for nonprofit Community-based organizations.

Amount: \$700,000

Source of Funds: General Fund monies appropriated and reserved by the Board of Supervisors in the DCYF FY 2002-2003 budget.

Description: In the FY 2002-2003 budget, the Board of Supervisors appropriated \$1,700,000 for the DCYF to be used for nonprofit community-based organizations. Of the \$1,700,000 appropriation, the Board of Supervisors specifically added \$700,000 to the Mayor's Recommended FY 2002-2003 budget to fund community-based organizations, which the Department is now requesting be released.

According to Mr. Ken Bukowski of DCYF, the entire \$1,700,000 will be allocated to nonprofit community-based organizations for one-time needs. The nonprofit community-based organizations are being selected through a single competitive Request for Proposals (RFP) process. The attached memorandum (Attachment I) provided by Ms. Nani Coloretti of DCYF contains (a) additional background information on this subject request for the release of \$700,000, (b) a description of the RFP process, and (c) a description of the process used to select the nonprofit community-based organizations to receive allocations from the total available funds of \$1,700,000.

Budget: As of the writing of our November 13, 2002 report to the Finance Committee, according to Mr. Bukowski, none of the \$1,700,000 had been allocated to nonprofit community-based organizations.

BOARD OF SUPERVISORS
BUDGET ANALYST

Comments:

1. According to Mr. Bukowski, DCYF received responses to its RFP from the 189 nonprofit community-based organizations listed in Attachment II. Such requests total \$10,810,033 or \$9,110,033 more than the available funding of \$1,700,000.
2. Ms. Coloretti has provided additional information on the requested funds in her memorandum (Attachment I).
3. In the professional judgement of the Budget Analyst, the subject reserved funds in the amount of \$700,000 should not be released until DCYF has submitted a report to the Board of Supervisors which accounts for the entire \$1,700,000 Board of Supervisors appropriation. This report should include (a) identification of the nonprofit community-based organizations selected, (b) the amount of the allocation to each nonprofit community-based organization, and (c) a description of the proposed expenditures for each non-profit community-based organization.
4. At the Finance Committee's meeting of November 20, 2002, the Finance Committee requested that Ms. Brenda Lopez of the DCYF submit additional information pertaining to the proposed allocation of funds.

Recommendation:

Approval of the requested release of \$700,000 is a policy matter for the Finance Committee.



YOUTH AND THEIR FAMILIES

Willie L. Brown, Jr.
MayorBrenda Lopez
Director

DATE: November 7, 2002
TO: Budget Analyst
FROM: Nani Coloretti, Director of Budget and Planning
SUBJECT: Request to Release Reserved Funds

Pursuant to your request, the Department of Children, Youth and Their Families (DCYF) hereby submits this memorandum in support of its request to release reserve funds in the amount of \$700,000 to fund nonprofit community-based programs.

History and Proposed Use of DCYF Reserved Funds

During the FY 2002-2003 appropriation process, \$700,000 of the general fund monies appropriated to DCYF was placed on reserve pursuant to an amendment introduced by Supervisor Sandoval during the Board of Supervisors' review of the budget. Our understanding is that the primary reason for placing the \$700,000 on reserve was to allow for a more public process to determine the best way to expend the funds, rather than rely on the more limited decision-making process of considering specific add-back requests made to individual Supervisors. Thus, \$700,000 was placed on reserve for the purpose of supporting citywide programs for children and youth, with the understanding that the funds would be released after DCYF obtained additional community input as to the best way to target expenditure of these monies.

Having completed a discussion among various stakeholders as to the best way to expend the \$700,000 placed on reserve, DCYF now requests release of these funds so they may be expended (along with \$1,000,000 in Children's Fund dollars) on grants to community-based organizations that have one-time expenditure needs. The decision to utilize the reserve funds and Children's Fund dollars in this manner is based on input provided from our Community Needs Assessment and meetings of the Children's Fund Citizen's Advisory Committee. The input received from various children and youth stakeholders through this public process helped DCYF determine the funding areas to prioritize for both the reserved funds (\$700,000) and the additional Children's Fund dollars (\$1,000,000).

Process Used for Determining Community-Based Organizations to Receive Funding

DCYF issued a Request for Proposals (RFP) on September 10, 2002, requesting proposals from community-based organizations which had one-time expenditure needs such as: operational shortfalls due to loss of funding (short term stabilization assistance to maintain services with identified future funding sources), agency capacity building (e.g. fundraising, strategic planning), capital expenditures (renovations), transportation, furniture/fixtures or one-time events. Availability of the RFP was advertised in the Independent, through the Board of Supervisors, on DCYF's website and with a mailing to approximately 2,000 youth and children service contacts maintained by DCYF. The RFP provided that agencies serving children, youth and families could request up to \$75,000 for one-time use in the areas detailed above.

Responses to the RFP were due by September 30, 2002. DCYF received 189 complete proposals in response to the RFP, with the requests for one-time funding cumulatively totaling more than \$10 million. In

order to determine which community-based organizations would be selected to receive grants, DCYF utilized a citizen review team. The review team, which included members of the Children's Fund Citizens' Advisory Committee and people with expertise in youth services and budgeting, ranked each proposal and made consensus recommendations to DCYF. All proposals were scored on:

- ✓ Completion of all required forms and adherence to submission instructions;
- ✓ Compelling statement of need;
- ✓ Linkage of expense to improved program delivery;
- ✓ Reasonable budget.

DCYF staff reviewed the recommendations of the citizen review team to ensure that there was geographic, population and service diversity in the proposed funding allocation. DCYF may also use interviews and site visits as evaluation methods prior to awarding contracts.

DCYF has completed the process of reviewing the 189 proposals received in response to the RFP. We are awaiting the release of the reserved funds before announcing individual grant amounts and entering into contract negotiations with the organizations. However, the grant selection process for the Children's Fund dollars has been completed in order to ensure this funding can be utilized by community organizations at the earliest possible date.

Request to Release Reserve Funds

During budget discussions earlier this year, Board of Supervisors members indicated that it was better public policy for expenditure decisions to be based on a public process that examined neighborhood needs and gaps in services rather than specific add-back requests to individual Supervisors. Thus, \$700,000 in general fund monies appropriated to DCYF was placed in reserve so that DCYF could receive additional input from community stakeholders and determine the best use of these funds. As requested, DCYF has conducted this process by utilizing the extensive community input that was part of the Community Needs Assessment and by determining priority needs with the assistance of the Children's Fund Children's Advisory Committee. This process resulted in a decision to fund one-time expenditures of community-based organizations based on a competitive RFP process to decide which specific organizations would receive funding.

The recommendation of the Budget Analyst that a detailed list of proposed grantees and grant amounts be made public (and open to debate) prior to the release of the reserved funds would appear to defeat the policy intent of the Board in seeking to ensure the use of these funds was decided based on a public process that broadly examined community needs. The release of a proposed grantee list would likely result in individual organizations that have not have been selected for funding through this competitive process demanding that their specific requests now be considered outside of the public process that has already taken place. Reopening the process in this manner would not appear to be supported by the policy discussion that occurred when these funds were initially placed on reserve.

It is also important that there be no further delay in allocating these funds to community-based organizations, particularly considering that many of the requests were for funds to ensure that services to children and youth would not be cut back during this fiscal year. It is in the best interest of maintaining children and youth services that the release of these funds be expedited so that the money can get out into the community to meet the immediate needs, such as those articulated by community-based organizations at the October Finance Committee meeting.

Thank you for your assistance in expediting the release of these funds so we can address the critical needs in our communities.

List of 189 Organizations Requesting One-Time Funds from DCYF

Agency Name	Request Amount
A Home Away From Homelessness	\$45,000
African American Art and Culture Complex	\$75,000
After School Enrichment Program	\$41,782
Aleman Resident Mgmt. Corp.	\$75,000
Allen Community Development Corp.	\$75,000
Ark of Refuge, Inc	\$75,000
Asian Perinatal Advocates	\$75,000
Asian Women's Shelter	\$75,000
Back on Track	\$51,375
Bay Area Girls Center	\$35,000
Bay Area Network for Diversity Teaching in Early	\$62,317
Bayview Hunter Point Foundation for Com. Imp.	\$57,809
Bayview Opera House, Inc.	\$75,000
Bernal Heights Neighborhood Center	\$63,275
Booker T. Washington Community Service Ctr.	\$75,000
Brava! For Women in the Arts	\$74,972
Brothers Against Guns, Inc	\$75,000
California Community Dispute Services	\$45,510
California Lawyers for the Arts	\$53,625
CARECEN	\$75,000
Career Resources Development Center	\$41,159
Center for Human Development	\$44,585
Center for Young Women's Development	\$67,372
Charity Cultural Services Center	\$9,562
Child Care Law Center	\$74,980
Children of Lesbians & Gays Everywhere COLAGE	\$56,490
Children's Day School, Inc.	\$74,180
Chinatown Community Development Center	\$55,000
Civic Center Child Care Corporation	\$75,000
Community Alliance for Special Education	\$13,750
Community Brd Prgm Juv. Victim Offender (JVORP)	\$75,000
Community Housing Partnership	\$41,000
Community Music Center	\$70,056
Community Network for Youth Development	\$50,000
Community Works	\$40,822
Compass Community	\$24,922
Cross Cultural Family Center	\$75,000
Donaldina Cameron House	\$56,256
Economic Opportunity Council of San Francisco	\$75,000
Edgewood Center for Children and Families	\$75,000
Ella Hill Hutch Community Center	\$74,842
Enterprise for High School Students	\$48,060
Everychild Can Learn Foundation	\$74,970
Family Restoration House	\$75,000
Family Service Agency of San Francisco	\$56,919
Family Support Services of the Bay Area	\$29,750
Filipino American Arts Exposition	\$67,600
Florence Crittenton Services	\$75,000
FranDelJA Enrichment Center	\$75,000

Friends of Recreation and Parks	\$63,169
Friends of St. Francis Childcare Center	\$75,000
Gateway High School	\$58,967
Gatinell's Tender Loving Care Residence	\$75,000
Girls After School Academy	\$75,000
GirlSource, Inc.	\$34,360
Glenridge Cooperative Nursery School	\$7,220
Glide Foundation/Glide Memorial United Methodists	\$74,955
Good Samaritan Family Resource Center	\$43,155
Gum Moon Residence Hall	\$44,165
Health Initiatives for Youth	\$49,916
Hearing Society of the Bay Area, Inc.	\$22,326
Holy Family Day Homes of San Francisco	\$73,119
Homeless Children's Network	\$74,745
Homeless Prenatal Program (HPP)	\$63,000
Horizons Unlimited of San Francisco, Inc.	\$30,450
Huckleberry Youth Programs	\$50,000
Hunters Point Boys & Girls Club	\$62,650
Idris Ackamoor and Cultural Odyssey	\$75,000
Indochinese Housing Development Corporation	\$75,000
Infant toddler Consortium	\$53,000
Inner City Youth	\$75,000
James Lick Middle School PTSA	\$68,000
Jamestown Community Center	\$56,000
Japanese Community Youth Council	\$29,000
Jewish Family and Children's Services	\$75,000
Jewish Vocational & Career Counseling Service	\$40,000
Juma Ventures	\$75,000
Kai Ming, Inc.	\$75,000
Kids' Turn	\$32,500
Korean American Women Artists & Writers Association	\$70,000
La case De las Madres	\$20,640
Larkin Street Youth Services	\$75,000
Lavender Youth Recreation & Info Center LYRIC	\$64,029
Leadership High School	\$30,000
Legal Services for Children	\$65,555
Literacy for Environmental Justice	\$75,000
Little Children's Development Center	\$75,000
Men Overcoming Violence (MOVE)	\$50,100
Miraloma Nursery School	\$75,000
Mission Cultural Center for Latino Arts	\$66,872
Mission Area Health Associates, Inc. dba MNHC	\$74,998
Mission Child Care Consortium	\$75,000
Mission Dolores School	\$75,000
Mission Education Projects Inc.	\$31,485
Mission Housing Develop. Corp. (MHDC)	\$75,000
Mission Language and Vocational School, Inc.	\$74,857
Mission Learning Center	\$76,800
Mission Neighborhood Centers, Inc.	\$75,000
Mission Youth Soccer League	\$74,850
Moss Beach Homes, Sunset Neigh. Beacon Center	\$34,890
Multicultural Educational, Training & Advocacy	\$8,500
Music in schools today	\$43,948

Musical Theatre Works	\$7,000
New Direction 21st Century	\$75,000
NICOS Chinese Health Coalition	\$75,000
Nihonmachi Legal Outreach dba Asian Pac. Islander	\$70,499
Nihonmachi Little Friends	\$75,000
Northern California Council for the community	\$52,851
Northern California Service League	\$55,000
Ohlhoff Recovery Programs	\$31,485
Omega Boys Club	\$75,000
Our Kids First	\$38,461
Pacific News Services	\$74,748
Parent Voices	\$61,200
Parents for Public schools of San Francisco	\$20,475
Parents helping Parents San Francisco	\$68,228
Philippine Resource Center	\$31,500
Playtime Center	\$75,000
Polly's Family Support Center	\$75,000
Private Industry Council	\$75,000
PTA Cal. Cngrss of Parents, Teach, Stud. Alvarado	\$40,400
Recreation Center for the handicapped	\$32,250
Renaissance Parents of Success	\$75,000
Richmond District Neighborhood Center	\$17,504
SF Arts Education Project	\$75,000
SF Bar Association Volunteer Legal Services Prog.	\$31,655
SF Brown Bombers POP Warner Club, Inc.	\$74,970
SF Conservation Corps	\$62,835
SF Council of Parent Participation Nursery Schools	\$5,700
SF Court Appointed Special Advocates	\$75,000
SF Educational Fund	\$27,254
SF General Hospital Foundation	\$75,000
SF League of Urban Gardeners (SLUG)	\$74,921
SF School Volunteer	\$4,777
SF Starting Points Initiative	\$74,000
SF Study Center	\$68,275
SF Urban Service Project	\$20,000
SF Women Against Rape	\$32,340
SF Women's Centers, Inc.	\$20,000
SFHA Housing Corporation	\$74,667
SFSU Foundation Inc.	\$66,250
SFSU Foundation, Inc.	\$75,686
SFSU Foundation—Mission Science Wrkshops	\$44,461
Soul'd Out Productions	\$75,000
South of Market Child Care, Inc.	\$72,186
Southwest Community Corporation	\$75,000
St. Francis Memorial Hospital, Rally Family Visit.	\$53,166
St. John's Educational Threshold Center-YouthSpace	\$75,000
St. John's Educational Thresholds Center	\$34,925
St. Vincent de Paul Society	\$70,670
Stern Grove Festival Asocation	\$25,000
Streetside Stories, Inc.	\$14,760
Sunset Youth Services	\$71,000
Support for Families of Children with Disabilities	\$50,841
Telegraph Hill Neighborhood Association	\$41,193

Tenderloin Neighborhood Development Corporation	\$23,570
The Children's Psychological Health Ctr.	\$27,830
The Community Center Project of San Francisco, Inc	\$71,084
The International Institute of San Francisco	\$50,000
The Korean Center, Inc.	\$74,841
The Regents of the University of California	\$33,090
The San Francisco Child Abuse Prevention Center	\$66,267
The Young Scholars Program	\$65,000
Tides Center -- Oasis	\$63,585
Tides Center/Infusion-One	\$75,000
United way of the Bay Area	\$10,000
Vietnamese Youth Development Center	\$34,026
Visitation Valley Community Center	\$74,100
Visitation Valley Job, Education and Training	\$72,638
Voice Over Video Network (dbaTILT)	\$66,434
Wah Mei School	\$10,000
Wajumbe Cultural Institution, Inc.	\$75,000
Walden House, Inc.	\$62,892
West Bay Pilipino Multi-Service, Inc.	\$36,435
Westside Community Mental Health Center, Inc.	\$75,000
Whitney Young Child Development Centers, Inc.	\$72,400
World Arts West	\$74,314
Wu Yee Children's Center	\$75,000
YMCA -- Bayview Hunter's Point	\$75,000
YMCA -- Chinatown	\$75,000
YMCA -- Embarcadero	\$24,339
YMCA -- Richmond District	\$45,570
YMCA -- Shih Yu-Lang Central of San Francisco	\$51,600
YMCA -- Stonestown Family YMCA	\$73,416
YMCA -- Urban Services	\$53,130
YMCA of San Francisco -- Mission Branch	\$65,314
YMCA of SF (Buchanan YMCA)	\$20,000
Young Community Developers, Inc.	\$75,000
Youth Guidance Center Improvement Committee	\$73,863
Total Amount Requested	\$10,810,033
Average Request (\$10,810,033/189)	\$57,196

Item 3 – File 02-1879

Department: Department of Administrative Services, Office of Contract Administration, Purchasing Division

Item: Resolution designating the San Francisco Independent to be the City's official newspaper for the Type 2 category non-consecutive day official advertising, for the period commencing January 1, 2003 and ending June 30, 2003.

Description: Proposition J, which was approved by the San Francisco electorate in November of 1994, in part, changed the criteria by which the City selects a newspaper to publish the City's official advertising. The Purchasing Division advises that, under Proposition J, pursuant to Section 2.81 of the Administrative Code, several criteria are considered and used to evaluate bids, on the basis of a point system. Bidders are required to submit typeset samples and other documentation for evaluation purposes. The criteria used for evaluation of bids under Section 2.81 includes (1) the cost of advertising in each newspaper (the newspaper which bids the lowest price for advertising receives additional points), (2) the level of circulation of each newspaper (the newspaper with the largest circulation receives additional points), (3) the cost of the newspaper (any newspaper with a majority of circulation that is free of charge to the general public receives additional points), and (4) the ownership of the newspaper (newspapers which are owned by local, minority or women-owned firms receive additional points).

The City's official advertising is divided into two categories:

Type 1 – Advertisements for Two or More Consecutive Days: Official advertising which must be published on two or more consecutive days, and all official advertising which is required to be published in accordance with 2.103 or 2.108 of the Charter for special meetings of the Board of Supervisors and its standing or special committees. The official newspaper must publish at least 5 consecutive days a week for Type 1 official advertising.

Type 2 – Advertisements for Single or Non-consecutive Days: Official advertising, which must be published one time (other than one-time advertising related to special meetings for the Board of Supervisors and its standing and/or special committees) or more than one time but not more than three times per week for a specified number of weeks. The official newspaper must be printed in the City at least 3 days a week for Type 2 official advertising. Such days do not need to be consecutive days.

The City currently contracts with the San Francisco Independent for Type 2 official non-consecutive day advertising. Mr. Mike Ward of the Purchasing Division reports that the City's current six month contract with the San Francisco Independent, which will expire on December 31, 2002, contains an option to extend the contract for an additional six months for the period from January 1, 2003 through June 30, 2003. The proposed resolution designates the San Francisco Independent as the official newspaper for Type 2 official advertising for the period beginning January 1, 2003 through June 30, 2003.

Comments:

1. According to Mr. Ward, in response to an Invitation for Bids for FY 2002-2003, the San Francisco Independent submitted the sole bid for Type 2 advertising. The Attachment, provided by the Purchasing Division, contains bid data submitted by the San Francisco Independent for FY 2002-2003 and the related estimated annual costs to the City. As shown in the Attachment, the cost per line of typeset to be charged by the San Francisco Independent in FY 2002-2003 would be \$3.98, which is the same per line typeset rate charged by the San Francisco Independent in FY 2001-2002.

2. Mr. Lakey advises that the Board of Supervisors also needs to designate an official newspaper for Type 1 official advertising for FY 2002-2003. Mr. Ward reports that the City has extended its FY 2001-2002 contract with the San Francisco Chronicle on a month-to-month basis to provide Type 1 official advertising in FY 2002-2003. However, the Board of Supervisors has not yet designated an official

Memo to Finance Committee
December 4, 2002 Finance Committee Meeting

newspaper for Type 1 official advertising for FY 2002-2003.

3. According to Mr. Lakey, without designation by the Board of Supervisors of an official newspaper for Type 1 and Type 2 official advertising, the City is not obligated to publish official advertisements in any particular newspaper.

4. Mr. Ward states that the current estimated costs in FY 2002-2003 for Type 2 official advertising in the San Francisco Independent is \$507,646, or \$129,238 higher than the \$378,408 projection made in April of 2002. According to Mr. Ward, the actual cost for this contract for July 1, 2002 through November 26, 2002 was \$211,519. Mr. Ward estimates that Type I official advertising will cost an estimated \$101,698 in FY 2002-2003, for a total estimated official advertising cost of \$609,344 in FY 2002-2003, including \$101,698 for Type I and \$507,646 for Type II.

5. According to Mr. Ward, the San Francisco Independent fully complies with all City contracting requirements and qualifies to be the official newspaper for Type 2 official advertising through the bidding process.

6. Mr. Lakey has previously advised that the Board of Supervisors need not accept the Purchasing Division's recommendations for the award of contracts to newspapers for official advertising and may designate any newspaper, which is qualified under the Charter and the Administrative Code.

Recommendation: Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Exhibit B

Type 2 Official Advertising – for Non-consecutive Day Publication
Bid Prices and Estimated Costs
FY 2001-2002 and 2002-2003

	SF Independent Bid 2001-2002	SF Independent Bid 2002-2003
Cost Per Line	3.98	3.98
Estimated Annual Cost *	378,408	378,408

* Annual cost estimated using actual payments to calculate monthly average cost and extending to 12 months

Item 4 – File 02-1894

Department: Mayor's Office of Housing (MOH)

Item: Resolution authorizing the issuance and delivery of multifamily housing revenue bonds (as defined herein) in an aggregate principal amount not to exceed \$17,000,000 for the purpose of providing financing for a multifamily rental housing project; approving the form of and authorizing the execution of an indenture providing the terms and conditions of the bonds; approving the form of and authorizing the execution of a bond purchase contract providing the terms and conditions for the sale of the bonds; approving the form of and authorizing the execution of a regulatory agreement and declaration of restrictive covenants; approving the form of and authorizing the execution of a loan agreement; approving the form of and authorizing the execution of an intercreditor¹ agreement; approving the form of and authorizing the preparation and distribution of an official statement relating to the bonds; making low income housing findings; ratifying and approving any action heretofore taken in connection with the bonds and the project; approving and authorizing the execution and delivery of any document necessary to implement this resolution; and related matters.

Amount: Not to exceed \$17,000,000

Source of Funds: Multifamily Housing Revenue Bonds

Description: This proposed resolution would authorize the City to issue Multifamily Housing Revenue Bonds in an amount not to exceed \$17,000,000 to finance a multifamily rental housing development in the Visitation Valley neighborhood of the City. The subject Multifamily Housing Revenue Bonds were authorized by the California Debt Limit Allocation Committee (CDLAC) in September 2002. The proposed resolution would also approve the form and terms of documents and official notices related to the bond sale and authorize City

¹ Approval of this resolution would create an intercreditor agreement between the funding agencies, which are Citibank and the City. An intercreditor agreement provides guidelines regarding how the various funding agreements would work together.

officials to take various actions necessary to carry out the sale of the bonds, including authorizing a loan agreement between the City and the developers for use of the bond proceeds.

The City's authority to issue the proposed \$17,000,000 in Multifamily Housing Revenue Bonds comes from Article I, Chapter 43 of the Administrative Code, entitled the Residential Mortgage Revenue Bond Law, and Section 9.107 of the Charter. These provisions authorize the City to incur bonded indebtedness for the purpose of providing mortgage financing for the acquisition, construction, or rehabilitation of housing in the City to encourage the availability of residential financing for persons and families of low or moderate income. Therefore, the City can issue Revenue Bonds to provide funding to develop or refinance low- and moderate-income multifamily rental housing. Bondholders of these Revenue Bonds are repaid from payments made by the developer under the Loan Agreement, as secured by a Letter of Credit. According to Mr. Michael Martin of the City Attorney's Office, these Revenue Bonds do not require the City to pledge repayment of the bonds, and the City has no legal liability with respect to the repayment of the Revenue Bonds. With rental developments, the bondholders have only two forms of recourse for payment: (1) the project rental and mortgage payment revenues, and (2) credit enhancement (such as bond insurance or letters of credit) procured by the project developers, provided by private parties.

The general provisions of the sale of the Multifamily Housing Revenue Bonds would be as follows:

- The sale of the bonds is tentatively scheduled for December 19, 2002.
- The bonds would be issued at a variable interest rate not to exceed twelve percent and would have 34-year term, for a final maturity not later than December 1, 2036.
- A draft official statement describing the bonds to be issued is included with the proposed resolution for approval by the Board of Supervisors.

Memo to Finance Committee
December 4, 2002 Finance Committee Meeting

The subject Multifamily Housing Revenue Bonds would be used to partially finance the acquisition and construction of the Carter Terrace Apartments, a 101-unit multifamily rental housing development for low- and very low- income persons, consisting of five buildings located at 522, 550 and 552 Carter Street and 105 Walbridge Street, at the corner of Geneva and Carter Streets in Visitacion Valley. Currently, the site contains three detached bungalow-style motel rooms owned by a neighboring motel and a single-family residence. The single-family residence and the three detached bungalow-style motel rooms will be demolished to construct the new multifamily rental housing development.

The total estimated project costs for the Carter Terrace Apartments development will be \$28,034,889, as shown in Attachment I, provided by the MOH. In addition to the proposed bond financing of \$17,000,000, the total project cost of \$28,034,889 for the subject 101-unit multifamily rental housing development will be financed in the following manner: (1) a contribution of \$4,000,000 from the City's Affordable Housing and Home Ownership Bond Program (Proposition A, approved in November of 1996²), (2) a \$330,000 Affordable Housing Program (AHP) loan from the Federal Home Loan Bank Affordable Housing Program³, (3) \$6,644,889 in a second mortgage, income from operations and accrued interest, and (4) \$60,000 in Limited Partner equity.

The developer, Mercy Housing California (see Comment No. 5) is already leasing the site, which is approximately 3.37 acres, or 146,849 square feet, located at the corner of Geneva and Carter Streets. Mercy Housing California XXIV is a California limited partnership formed by Mercy Housing California for the specific purpose of developing and owning the subject multifamily rental-housing

² In November of 1996, the voters of San Francisco approved Proposition A, which authorized the City to issue \$100,000,000 in General Obligation Bonds to: (1) finance the development of rental housing affordable to low income households and (2) to provide down payment assistance to low- and moderate-income first-time homebuyers (the "Affordable Housing Bonds").

³ The Federal Home Loan Bank Affordable Housing Program provides subsidies in the form of grants or low-interest loans to community-based housing developers for the development of affordable rental and owner-occupied housing. According to Mr. Martin, the City has no legal liability to repay the AHP loan.

Memo to Finance Committee
December 4, 2002 Finance Committee Meeting

project. The general partner will be Mercy Housing West, a California non-profit public benefit corporation.

According to Ms. Anne Romero of the Mayor's Office of Housing, 100 of the 101 units (with the exception of one manager's unit) would be designated as below-market rentals with rents not to exceed 30 percent of the qualifying tenants' monthly income. Units are restricted to qualifying households in the City earning no more than either 30% of area median income, 50% of area median income or 60% of area median income (see Comment No. 2). The development's construction is expected to begin in May of 2003 and be completed by December 2004. The Carter Terrace Apartments development would contain the following unit mix: 29 one-bedroom units; 40 two-bedroom units; and 32 three-bedroom units. Unit amenities will include: energy efficient appliances, decks, or patios for each unit, one parking space per unit and internet access wiring. The interior finish will include countertops, carpeting in the living areas, vinyl flooring in the kitchens and bathrooms, window treatments and cabinets. The project will also contain an outdoor recreation area with a play structure and benches, and will provide over 3,100 square feet of indoor community space, including a community room, computer lab, laundry room, and offices for management and service provisions. As per the zoning requirements for the area, parking will be available for 103 vehicles.

Budget:

Attachment I, provided by the MOH, contains budget details to support the proposed project expenditures of \$28,034,889. As previously noted, the funding sources for the total project cost of \$28,034,889, provided by the MOH, are as follows:

Multifamily Housing Revenue Bonds (subject to this request)	\$17,000,000
City's Affordable Housing and Home Ownership Bond Program (Prop. A)	4,000,000
AHP Loan	330,000
Second Mortgage, income from operations and accrued interest	6,644,889
Limited Partner equity	60,000
	<u>\$28,034,889</u>

BOARD OF SUPERVISORS

BUDGET ANALYST

Memo to Finance Committee
December 4, 2002 Finance Committee Meeting

Comments:

1. According to Ms. Romero, the MOH expects to issue the proposed Revenue Bonds, not to exceed \$17,000,000, on December 19, 2002. The proposed Revenue Bonds would have a variable interest rate, not to exceed twelve percent. The proposed resolution states that the proposed Revenue Bonds may not be issued initially at an interest rate that exceeds twelve percent. Ms. Nadia Sesay of the Mayor's Office of Public Finance advises that if the bonds were issued at this time, these bonds would have an estimated interest rate of 1.5 percent. As stated previously, the City Attorney's Office reports that the City has no legal liability with respect to the repayment of the Revenue Bonds. Mr. Martin further advises that the estimated Bond Issuance costs of \$422,575 for financing and issuing the revenue bonds, as shown in Attachment I, will be paid by the developers, including reimbursing the City for City Attorney's Office costs and the MOH's costs for reviewing and preparing documents related to the transaction. Attachment II, provided by the Mayor's Office of Public Finance, is a debt service schedule for the proposed Revenue Bonds.

2. Ms. Romero notes that under the regulatory agreement between the City and Mercy Housing California XXIV and in accordance with the affordability standards set forth by the City's Proposition A Bond Program loan, the Carter Terrace Apartments multifamily housing development will be subject to rent limits below the fair market value for a period of 55 years from the date of the agreement. The Regulatory Agreement between the City and Mercy Housing California XXIV requires that the Mercy Housing California XXIV rent the 100 of 101 units as follows: (a) 21 of the 101 total units must be rented to households whose income is at 60 percent or below the median income; (b) 23 of the 101 total units must be rented to households whose income is at 50 percent or below the median income; (c) 32 total units must be rented to households whose income is at 30 percent or below the median income; and (d) 24 of the 101 units must be project based Section 8 units or rented to holders of Section 8 vouchers, or an equivalent rental subsidy program. Even if the subject 34-year bonds were paid off early, Mercy Housing California XXIV would be required

BOARD OF SUPERVISORS

BUDGET ANALYST

to maintain 100, out of the total 101 units, at below-market rate until 2057. MOH reports that the median income in the metropolitan statistical area for the year 2002 is \$68,900 for a two-person household. Therefore, to qualify for the units designated for households at 30 percent or below the median income, renters may earn no more than \$20,670 for a two-person household. To qualify for the units designated for households at 50 percent or below the median income, renters may earn no more than \$34,450 for a two-person household. To qualify for the units designated for households at 60 percent or below the median income, renters may earn no more than \$41,340 for a two-person household.

3. According to Mr. Daryl Higashi, the Director of the MOH, and as stated in his memorandum (Attachment III), the City has previously issued a total of \$132 million in Multifamily Housing Revenue Bonds. These bonds have provided funds for below-market rate mortgages to developers of affordable rental housing. As stated in Mr. Higashi's memorandum, since 1985, the City's Affordable Housing and Home Ownership Bond Program has financed the development of 1,319 rental units in the City, including 389 units, or approximately 29.5 percent, reserved for low-income households.

4. In June of 2002, the Board of Supervisors authorized the MOH to submit an application to the California Debt Limit Allocation Committee (CDLAC) for bond issuance authority on this project. On August 12, 2002, the Board of Supervisors approved the issuance of the subject Multifamily Housing Revenue Bonds in the amount of \$17,000,000 (Resolution 542-02).

5. Mercy Housing California submitted its request for financing in response to the 1999 Family and Supportive Notice of Funding Availability (NOFA), issued by MOH. Ms. Romero reports that MOH selected Mercy Housing California for funding in accordance with the eligibility requirements, guidelines and evaluation criteria contained in that NOFA and in accordance with the MOH/San Francisco Redevelopment Agency Draft Underwriting Guidelines.

Memo to Finance Committee
December 4, 2002 Finance Committee Meeting

6. According to Ms. Romero, Cahill Contractors, Inc., which was selected through an MOH Request for Proposals process, will serve as the General Contractor for the construction of the project. The design architect for the project is Van Meter Williams Pollack, which was selected through an MOH Request for Qualifications process.

Recommendation: Approve the proposed resolution.

Carter Terrace**Construction Period Sources**

Tax-Exempt Bonds during construction	17,000,000
Second Mortgage	6,275,167
	146,276
AHP	330,000
Grant	4,000,000
Income from Operations	223,446
Limited Partner @ 99.99%	60,000
Total Construction Period Sources	28,034,889

Construction Period Uses

Acquisition Closing Costs	32,592
Lease Payments during construction	1,190,480
Demolition	70,000
Relocation	100,000
Offsites	100,000
Contingency (10% of Construction)	1,909,488
Site Improvements	1,289,266
Construction - Residential Structures	17,408,478
Personal Property in Constr. Contract	124,770
Architecture and Engineering Design	1,287,500
Survey, Soils, Testing	186,179
Permit Fees	296,814
Local Development Impact Fees	194,162
Utility Fees	290,541
Bond Financing and LC Fees through conversion	414,871
Construction Loan Interest During Construction	289,000
Constr. Loan Interest - C. of O. to Conversion	595,000
Deferred Constr. Loan Int., City Loan	146,276
Predevelopment Interest	12,652
Construction Lender Charges	15,000
Bond Issuance Costs	422,575
Trustee Fees prior to conversion	3,000
Real Estate Taxes During Development	378,000
Insurance During Construc.	35,000
Appraisal and Market Study	13,085
Environmental Audit	26,500
Title, Permanent Loan	20,000
Construction Testing	55,000
Legal-Land Use	20,000
Legal-Real Estate	50,000
Legal - Syndication	35,000
Tax Credit Allocation Committee Fees	52,025
Syndication Consultant	35,000
Marketing Expenses	80,000
Furnishings	85,000
Construction Manager and Utility Consultant	90,000
Developer Fee	357,585
Soft Cost Contingency	311,050
Audit and Project Accounting	13,000
Total Construction Period Sources	28,034,889

\$17,000,000
City and County of San Francisco
Variable Rate Demand Multifamily Housing Revenue Bonds
Series 2002A
(Carter Terrace Apartments)

November 22, 2002

10:33 AM

Annual Debt Service and Production

Summary	
Dated Date:	12/18/02
Issue Date:	12/18/02
Principal:	17,000,000.00
Production:	17,000,000.00
Accrued Interest:	0.00
Original Issue Discount:	0.00
Yield:	3.500093%

Date	Coupon	Principal	Price	Yield	Interest	Debt Service	Production	Bond Years to Delivery
06/15/03					292,541.87	292,541.87	0.00	
06/01/04	3.500%	280,000	100.000	3.500%	595,000.00	875,000.00	280,000.00	407,342.47
06/01/05	3.500%	290,000	100.000	3.500%	585,200.00	875,200.00	290,000.00	1,119,232.88
06/01/06	3.500%	300,000	100.000	3.500%	575,050.00	875,050.00	300,000.00	2,155,671.23
06/01/07	3.500%	315,000	100.000	3.500%	564,550.00	873,550.00	315,000.00	3,558,931.51
06/01/08	3.500%	325,000	100.000	3.500%	553,525.00	873,525.00	325,000.00	5,332,630.14
06/01/09	3.500%	335,000	100.000	3.500%	542,150.00	877,150.00	335,000.00	7,485,904.11
06/01/10	3.500%	345,000	100.000	3.500%	530,425.00	875,425.00	345,000.00	10,058,753.42
06/01/11	3.500%	360,000	100.000	3.500%	518,350.00	878,350.00	360,000.00	13,113,465.75
06/01/12	3.500%	370,000	100.000	3.500%	505,750.00	875,750.00	370,000.00	16,613,767.12
06/01/13	3.500%	385,000	100.000	3.500%	492,800.00	877,800.00	385,000.00	20,640,972.80
06/01/14	3.500%	400,000	100.000	3.500%	479,325.00	879,325.00	400,000.00	25,225,082.19
06/01/15	3.500%	410,000	100.000	3.500%	465,325.00	875,325.00	410,000.00	30,333,794.52
06/01/16	3.500%	425,000	100.000	3.500%	450,575.00	875,975.00	425,000.00	36,055,575.34
06/01/17	3.500%	440,000	100.000	3.500%	436,100.00	876,100.00	440,000.00	42,419,301.37
06/01/18	3.500%	455,000	100.000	3.500%	420,700.00	875,700.00	455,000.00	49,454,972.60
06/01/19	3.500%	470,000	100.000	3.500%	404,775.00	874,775.00	470,000.00	57,192,589.04
06/01/20	3.500%	490,000	100.000	3.500%	388,325.00	878,325.00	490,000.00	65,750,808.22
06/01/21	3.500%	505,000	100.000	3.500%	371,175.00	876,175.00	505,000.00	75,078,013.70
06/01/22	3.500%	525,000	100.000	3.500%	353,500.00	876,500.00	525,000.00	85,295,534.25
06/01/23	3.500%	540,000	100.000	3.500%	335,125.00	875,125.00	540,000.00	96,347,041.10
06/01/24	3.500%	560,000	100.000	3.500%	316,225.00	876,225.00	560,000.00	108,269,237.26
06/01/25	3.500%	580,000	100.000	3.500%	296,625.00	876,625.00	580,000.00	121,401,123.29
06/01/26	3.500%	600,000	100.000	3.500%	276,325.00	876,325.00	600,000.00	135,482,219.18
06/01/27	3.500%	620,000	100.000	3.500%	255,325.00	875,325.00	620,000.00	150,652,684.93
06/01/28	3.500%	645,000	100.000	3.500%	233,625.00	876,625.00	645,000.00	167,081,630.14
06/01/29	3.500%	665,000	100.000	3.500%	211,050.00	876,050.00	665,000.00	184,685,000.00
06/01/30	3.500%	690,000	100.000	3.500%	187,775.00	877,775.00	690,000.00	203,640,150.68
06/01/31	3.500%	715,000	100.000	3.500%	163,625.00	878,625.00	716,000.00	223,687,082.19
06/01/32	3.500%	740,000	100.000	3.500%	138,600.00	878,600.00	740,000.00	245,807,821.92
06/01/33	3.500%	765,000	100.000	3.500%	112,700.00	877,700.00	765,000.00	269,120,410.96
06/01/34	3.500%	790,000	100.000	3.500%	85,925.00	875,925.00	790,000.00	293,884,849.32
06/01/35	3.500%	820,000	100.000	3.500%	58,275.00	878,275.00	820,000.00	320,613,506.85
06/01/36	3.500%	845,000	100.000	3.500%	29,575.00	874,575.00	845,000.00	348,901,328.77
		17,000,000			12,226,315.67	29,226,315.67	17,000,000.00	3,417,334,589.01

MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO



WILLIE LEWIS BROWN, JR.
MAYOR

DARYL HIGASHI
DIRECTOR

MEMORANDUM

November 5, 2002

To: The Honorable Aaron Peskin, Chair, Finance Committee
The Honorable Sophie Maxwell
The Honorable Chris Daly

From: Daryl Higashi *DH*

Subject: Resolution Authorizing Issuance of Multifamily Housing
Revenue Bonds (Carter Terrace Apartments)

Requested Action: The Mayor's Office of Housing respectfully requests that the Finance Committee, at its meeting on Wednesday, November 20, consider the attached resolution authorizing issuance of Multifamily Housing Revenue Bonds for Carter Terrace Apartments.

Background: Since 1985, the City and County of San Francisco has issued a total of \$132 million in Multifamily Housing Revenue Bonds. These bonds provided funds for below-market rate mortgages to developers of rental housing, with a portion of the units reserved for low income households. Since 1985, the program has financed development of 1,319 rental units in the City, including 389 units reserved for low-income households.

Repayments of these mortgages are used to make principal and interest payments on the bonds. The bonds are not "full faith and credit" obligations of the City and County of San Francisco; bondholders are guaranteed payment only from the mortgage revenues.

This resolution authorizes the City to issue \$17,000,000 of bonds for the financing of Carter Terrace Apartments at 522, 550, 552 Carter Street and 105 Walbridge Street. In June 2002, by Resolution 443-02, the Board of Supervisors authorized an application to the California Debt Limit Allocation Committee (CDLAC) for bond issuance authority on this project. In August 2002, by Resolution 542-02, the Board of Supervisors certified the TEFRA Public Hearing Approval. The development will be a residential rental project comprised of 5 apartment buildings and 1 commons building containing 101 units, with all of the units (except one manager's unit) set aside as below-market rate rentals. The development is expected to commence construction in approximately May 2003 and be completed December 2004.

The developer of the property is Mercy Housing California, a non-profit housing developer with extensive development experience in providing housing for low income San Franciscans. Mercy

Multifamily Housing Revenue Bonds (Carter Terrace Apartments)
November 5, 2002
Page 2

Housing California XXIV is a California Limited Partnership formed for the specific purpose of owning the project. The general partner will be Mercy Housing West, a California nonprofit public benefit corporation. In addition to bond financing, the development will be financed by a loan and grant from the City's Affordable Housing and Home Ownership Bond Program (Proposition A), loan from the State of California Multifamily Housing Program, loan from the Federal Home Loan Bank Affordable Housing Program, and an investment by a limited partner who will benefit from low income housing tax credits generated by the development.

The project development budget includes all costs of the transaction: bond counsel and financial advisor fees, and the City Attorney costs.

Under the City's Prop A Bond Program loan, the development will be subject to rent regulation for a period of 55 years, which is longer than the typical 15 to 30 year affordability of revenue bond-financed developments. It is expected that the nonprofit entity will acquire the property from the partnership in approximately 15 years, thus ensuring the permanent affordability of the development.

Fiscal Impact: The bonds and related documents clearly state that the bondholders may look only to the revenues of the project and to the credit enhancement provider for payments of principal and interest on the bonds. Therefore, the City will not be directly or indirectly liable for payments on the housing revenue bonds.

Additional Information: The resolution will be introduced at the Board of Supervisors on Tuesday, November 12, 2002. Bond related documents to be approved by reference in the resolution are included in the file. Please contact Joel Lipski at 252-3119 if you have any questions.

Cc: Harvey Rose, Budget Analyst

Item 5 - File 02-0663

Note: This item was continued by the Finance Committee at its meeting of July 31, 2002 to provide additional time for the Department of Parking and Traffic to develop performance measures for Parking Garage Operators under contract with the Department of Parking and Traffic.

Department: Department of Parking and Traffic (DPT)

Item: Ordinance amending Section 17.11(a) of the San Francisco Administrative Code to reenact the original authorization of the Parking Authority and Parking and Traffic Commission to utilize a Bid/Request for Proposal (RFP) process for the awarding of all leases and management agreements for the use or operation of City-owned parking facilities, through June 1, 2007.

Description: On April 26, 1999, the Board of Supervisors approved an ordinance to amend Section 17.11 of the Administrative Code to (1) remove the prior provision requiring that the DPT obtain Board of Supervisors approval prior to advertising bid or Bid/RFP documents pertaining to the awarding of leases and management agreements to parking operators for the operation of parking facilities, and (2) authorizing the DPT until December 1, 2000 to issue Bid/RFPs in lieu of utilizing formal competitive bidding procedures for awarding leases and management agreements to parking operators for City-owned parking facilities (File 98-1935). Specifically, Section 17.11(a) of the Administrative Code enabled DPT to issue Bid/RFP's to award leases and management agreements to parking operators for operation of City-owned parking facilities when the Parking and Traffic Commission determines that such a Bid/RFP process is in the best interest of the City. In January of 2001, the Board of Supervisors approved an ordinance to extend the sunset provision for use of the Bid/RFP process by 18 months, from December 1, 2000 to June 1, 2002 (File 00-1798).

The current provisions of the Administrative Code state that "the authority given to the Parking Authority to use a Bid/RFP Process shall sunset on June 1, 2002, unless the Board of Supervisors, by ordinance, continues this authorization." Additionally, the current ordinance states that "the Bid/RFP Process shall be reviewed by the

Parking Authority to determine if the utilization of the Bid/RFP Process has been in the best interest of the public, and a report shall be submitted to the Board of Supervisors." As stated by Mr. Szeto in the attached memorandum (Attachment I, page 2), there are advantages and disadvantages for both the formal competitive bidding process and the Bid/RFP processes. Mr. Szeto states that "While the short-term effects of the Bid/RFP have thus far demonstrated positive results, we are requesting extension of the authorization to use a Bid/RFP process until June 1, 2007 to evaluate the long-term effects....After this proposed extension period, ending June 1, 2007, we should have sufficient data to fully determine the degree of success of the Bid/RFP process and its effectiveness in achieving desired end results that are truly 'in the best interest of the City.'"

The proposed ordinance would amend Section 17.11(a) of the Administrative Code to reenact the original authority, which sunsets on June 1, 2002, permitting the DPT to award parking operator agreements on the basis of a Bid/RFP process rather than on the basis of utilizing formal competitive bidding procedures. The proposed ordinance would amend the original sunset date of June 1, 2002 to establish a new sunset date of June 1, 2007. According to Mr. Szeto, the DPT has not awarded parking operator agreements on the basis of a Bid/RFP process from June 1, 2002 to date.

Comments:

1. The Finance Committee continued the item on July 31, 2002 requesting that the DPT develop performance measures for parking garage operators under contract with DPT. In response to the Finance Committee, the Department of Parking and Traffic has submitted the attached memorandum (Attachment II) which further explains their justification for continuing the Bid/RFP process and provides six recommended performance measures to be employed by DPT to evaluate the parking garage operators. On page 3 of the memorandum (Attachment II) provided by Mr. Szeto, Mr. Szeto states that, "Since the short-term results are positive and because both the Budget Analyst and the Department agree that defined performance measures are necessary to truly continue to gauge the benefits of the Bid/RFP process, the

Department has compiled six performance measures to aid in this analysis. The Parking Authority staff, as a group, proposes to use the attached Performance Measure Rating Sheet to evaluate each garage operator on six essential areas of garage management as an on-going measure of their performance."

2. The Budget Analyst has reviewed the DPT's proposed performance measures and has noted that the DPT has not sufficiently developed specific measures of outcome that can objectively and quantitatively evaluate the performance of the parking garage operators. The DPT agreed with the Budget Analyst that the DPT should utilize specific, quantifiable, outcome-based performance measures such as:

- the number of entries on the compliance checklist, pertaining to regularly scheduled maintenance, that are completed on schedule;
- the monthly number of employee late days recorded;
- the number of confirmed incidences of employee rudeness or misconduct;
- the number of business days before a garage operator responds to a City request;
- the number of follow-up telephone calls before a City request is satisfied;
- the number of vehicles annually per FTE for self park and valet operations;
- the number of comment cards ranking the garage operator better than average as a percentage of total comment cards received; and,
- the number of damage claims filed by parking garage customers.

3. Although the DPT agreed with the Budget Analyst that specific, quantifiable outcome-based performance measures should be utilized, the DPT stated that the DPT currently has insufficient staff to administer outcome-based performance measures as suggested by the Budget Analyst. DPT has instead developed a performance evaluation approach, based on a more subjective methodology, utilizing six performance measures which are shown on pages 3 and 4 of Attachment II. DPT proposes to measure the performance of a parking garage operator by utilizing a 1 through 10 ranking system, as described in Attachment

II. For example, the DPT will rate the garage operator on employee appearance, courteousness, effectiveness, skill and willingness to assist the public. Instead of the outcome-based performance measures suggested by the Budget Analyst which rely on actual outcomes or results to evaluate the parking garage operator, the 1 through 10 ranking system proposed by the DPT would be based on the impressions and opinions of DPT staff to evaluate the parking garage operators.

4. According to Mr. Szeto, DPT will implement quantified, outcome-based performance measures once a vacant 1.0 FTE Deputy Director position is filled. Mr. Szeto states that the position will not be filled in FY 2002-2003 because, due to budget constraints, DPT did not request funding for this position in the FY 2002-2003 budget. Mr. Szeto anticipates filling the vacant position in FY 2003-2004. The Budget Analyst questions the DPT's contention that additional personnel are needed by the DPT to administer specific quantified outcome-based performance measures.

5. In the professional judgement of the Budget Analyst, the utilization of specific, quantified outcome-based performance measures would improve DPT's efforts to evaluate whether or not the Bid/RFP selection process is better than the formal competitive bidding process.

Recommendation: Approval of the proposed ordinance is a policy decision for the Board of Supervisors.



WILLIE LEWIS BROWN, JR., Mayor
FRED M. HAMOUN, EXECUTIVE DIRECTOR

RONALD SZETO, ACTING DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: July 9, 2002

TO: The Honorable Members
Finance Committee
Board of Supervisors

FROM: Ronald Szeto *RS*
Acting Director
Parking Authority
Department of Parking and Traffic

SUBJECT: Amending Section 17.11(a) of the San Francisco Administrative Code,
Reauthorizing the Department of Parking and Traffic and the
Parking Authority Commission to Utilize a Bid/RFP Process Until
June 1, 2007

Background:

On April 26, 1999, the Board of Supervisors adopted Ordinance Number 104-99, File Number 981935 amending Administrative Code Section 17.11(a). The amendment shortened the garage management agreement bid process by removing the requirement to obtain Board of Supervisors approval by ordinance before advertising bid (or Bid/RFP) documents.

The amendment also authorized the Parking and Traffic Commission and the Parking Authority Commission to solicit professional parking operators with a Bid/RFP process instead of the competitive bid process when the Commission determines that the Bid/RFP process is in the best interest of the City. This authorization to utilize the Bid/RFP process expired on December 1, 2000. On January 16, 2001, the Board of Supervisors adopted Ordinance No. 3-01, File No. 001798, extending the authorization to utilize the Bid/RFP process until June 1, 2002.

Finance Committee
July 9, 2002

Pursuant to the authorization to utilize a Bid/RFP process, the Parking Authority is required to report back to the Board of Supervisors on the Parking Authority's findings as related to the effectiveness of the Bid/RFP process, and make a recommendation to remove, extend or permanently retain the authorization to use a Bid/RFP process.

Since the January 16, 2001 Bid/RFP utilization authorization, we have conducted:

- a) One competitive bid (the North Beach and Vallejo Street Garages joint management agreement)
- b) One Bid/RFP with a management fee that covers operating expenses (the Performing Arts Garage)
- c) One Bid/RFP with an annual budget that covers operating expenses (the Golden Gateway Garage), and
- d) Two assignments (the Moscone Center Garage and the Polk-Bush Garage).

Additionally, two not-for-profit parking corporations successfully conducted Bid/RFPs with an annual budget covering operating expenses (the Fifth and Mission Garage and the Ellis-O'Farrell Garage). Lastly, we are currently evaluating Bid/RFP proposals received for the joint management agreement for the St. Mary's Square and the 16th & Hoff Garages.

Objective

The purpose of this report is to provide information and analysis of the Bid or Bid/RFP processes conducted since December 1, 2001. The objective of utilizing the Bid/RFP process is to enable selection of parking firms that will provide the greatest benefit to the City at a reasonable cost. When speaking of parking garages, the Department of Parking and Traffic defines "the best interest of the City" as the net benefits to the City and County governance, the garage patrons, and the neighboring residents, businesses and institutions. As opposed to a private business venture, success is not determined solely by the "bottom line". Rather, in government, we must go a step further and give meaningful consideration to the broad range of benefits to our City's various communities, in addition to the "bottom line".

Findings

There are advantages and disadvantages for both the "straight bid" (low bid) and Bid/RFP processes (see attachment *Pros and Cons*). While the short-term effects of the Bid/RFP have thus far demonstrated positive results, we are requesting extension of the authorization to use a Bid/RFP process until June 1, 2007 to evaluate the long-term effects. Each management agreement awarded or assigned during the first extension period, ending June 1, 2002, is discussed in detail below. Also provided are the attachments for the *Garages' Performance Results*, and the *Management Agreement Schedule and Selection Process*. After this proposed extension period, ending June 1, 2007, we should have sufficient data to fully determine the degree of success of the Bid/RFP process and its

Finance Committee
July 9, 2002

effectiveness in achieving desired end results that are truly "in the best interest of the City."

Performing Arts Garage (Bid/RFP)

The Performing Arts Garage was the first Parking Authority garage management agreement awarded via the Bid/RFP process. Under the terms of this Bid/RFP, proposing parking firms were required to submit proposals which included profit and operating expenses included with their proposed management fees (bids). Upon completion of analysis and grading by the review panel, the management agreement was awarded to the highest-ranking firm. This firm's proposed management fee was the second lowest among all bidders. This bid was \$926.93 per month higher than the overall lowest bid and \$5,431.65 per month less than the bid received from the third-ranked firm.

Beneficial Observations

- We noticed a smooth transition during changeover of management period.
- On-site management team, management approach and marketing efforts are according to the Bid/RFP submittals and the short-term results are positive; services and revenues are met or exceeded.
- Staff has confidence in the parking firm.
- Staff is spending time to increase services and revenues instead of spending time with contract compliance issues.
- Implemented valet parking during special events to accommodate more patrons.
- Implemented a new special event exiting procedure to greatly reduce the exiting times.
- Average monthly transient volume has increase by 1,394 or 12.4 % in the first 15 months of operation compared to the 12-month period prior to the commencement of the new management agreement.
- Average monthly gross revenues have increased by \$14,574 or 11.9 % in the first 15 months of operation compared to the 12-month period prior to the commencement of the new management agreement.
- Average monthly net revenues to the City have increased by \$1,932 or 2.8 % in the first 15 months of operation compared to the 12-month period prior to the commencement of the new management agreement.
- Average monthly parking tax collected have increased by \$3,173 or 13.3 % in the first 15 months of operation compared to the 12-month period prior to the commencement of the new management agreement.

Non-Beneficial Observations

- Entire Bid/RFP process took more effort and more time to complete.
- Did not receive the lowest bid. The Parking Authority pays \$926.93 more each month compared to the lowest bid.
- The highest-ranking firm could have bid a mathematical maximum of \$26,222.49 per month (\$219.64 per month greater than their actual bid and \$1,146.57 per month

Finance Committee
July 9, 2002

- greater than the lowest bid) and still would have been awarded the management agreement.

Summary

The short-term evaluation indicates that we have achieved our objective by awarding the management agreement to a firm that increased accommodations and quality of services to our patrons, provided greater benefits to the City and generated more revenues to the City (average increase of \$5,105 in net revenues and parking taxes per month) despite the downturn of the economy and a substantial increase in salaries and benefits.

Golden Gateway Garage (Bid/RFP with operating expense reimbursements)

The Golden Gateway Garage was the first City garage management agreement awarded through a Bid/RFP process. Initially, we required the parking firms to submit management fees (bids) that included profits and operating costs together with their proposals. However, upon receipt of the proposals, we were not convinced nor assured that the highest-ranking firm would be capable of sustaining the quality of services specified in the management agreement. We were also unwilling to recommend award of the management agreement to the firm with the next highest score because it would have cost the City approximately \$250,000 more per year.

The Parking and Traffic Commission subsequently rejected all proposals and approved Bid/RFP documents that incorporated reimbursements for operating expenditures. We feel that this combination of Bid/RFP and reimbursements yielded the best short-term process for complex operations. First, the Bid/RFP criteria ensures that the firms submit low management fees (bids) and that the firms are adequately prepared for managing the garage according to our specifications. Secondly, the reimbursement approach ensures that the successful parking firm would have sufficient funds to provide the specified services. Thirdly, the parking firms can submit aggressive management fees (bids) without compromising services because the fees reflect only overhead and profits.

Beneficial Observations

- We noticed a smooth transition during changeover of management period. Please note that the out-going firm is also a joint venture partner of the new management team.
- Services are never compromised due to aggressive bids (management fees) anymore because funding for the services are reviewed, approved and reimbursed by the City and not by the parking firm from their management fee.
- On-site management team, management approach and marketing efforts are according to Bid/RFP submittals and the short-term results are positive; services and revenues are expected.
- Staff is confident of the parking firm.
- Saved staff time with fewer (none to date) management agreement compliance issues.

Finance Committee
July 9, 2002

- Average monthly net revenues to the City have increased by \$18,062 or 6.1 % in the first 4 months of operation compared to the same period of the prior year by increasing the monthly parking volume by 64.5% and controlling expenses.

Non-Beneficial Observations

- Entire Bid/RFP process took more effort and more time to complete.
- Staff time required for review and approve expenditures.
- The form of the monthly report took longer than expected to complete.
- Did not award the management agreement to the lowest bidder, costing the City \$1.00 per month more. Under this Bid/RFP process, the highest-ranking firm could have charged the City \$999 per month more and would have still ranked first.
- Average monthly gross revenues have decreased by \$1,992 or 0.4 % in the first 4 months of operation compared to the same period of the prior year.
- Transient volume has decrease by 14,114 or 15.1%

Summary

The short-term evaluation indicates that we have achieved our objective. The quality of service, the management team, management approach, and marketing strategies have been the bright spots of this management agreement. For the first four months of the management agreement, the strong management team generated over \$72,000 more in total net revenues to the City then in the same period in the prior year despite the economic downturn. Financial success was achieved through higher monthly parking accommodations from nearby hotel demand that offset the decline in transient patrons. Moreover, the management team successfully controlled operating expenses despite labor agreement mandated salary and benefit increases.

North Beach Garage and Vallejo Street Garage (low bid)

We used a low bid process for the award of the management agreement for management of these two garages because the operation was fairly straightforward for both garages; one lane in and one lane out. The lowest bidder withdrew their bid.

Beneficial Observations

- Combining two garages, in close proximity, into one management agreement to save on a number of duplicate labor and overhead expenses.
- We noticed a smooth transition during changeover of management period.
- On-site management team is strong and the short-term results are positive.
- Average monthly gross revenue has increased by \$36,172 or 36.4% for the first 5 months of operation compared to the same period of the prior year.
- Average monthly parking tax collected has increased by \$7,350 or 37.2% for the first 5 months of operation compared to the same period of the prior year.
- Average monthly net revenue to the City has increased by \$21,007 or 67.4% for the first 5 months of operation compared to the same period of the prior year.

Finance Committee
July 9, 2002

- Transient vehicle accommodation has increased by 8,411 or 51.6% for the first 5 months of operation compared to the same period of the prior year.
- Staff spent less time during the bidding process.
- Staff spends minimal time on operating expenses.
- Staff is confident of the parking firm.

Non-Beneficial Observations

- Taking more time to implement a marketing strategy as compared to a Bid/RFP management agreement.
- Staff spends more time planning and reviewing the management approach that would have otherwise been submitted under the Bid/RFP process.
- Under this straight bid process, the successful parking firm could have charged the City \$1,126.12 more each month and would have still been awarded the contract.

Summary

The short-term evaluation indicates that we have achieved our objective by awarding the management agreement to a firm that increased accommodations and quality of services to our patrons, provided greater benefits to the City and generated more revenues to the City (average increase of \$28,357 in net revenues and parking taxes per month) despite the downturn of the economy and a substantial increase in salaries and benefits.

Moscone Center Garage (assignment)

The Parking Authority Commission assigned the management agreement to the joint venture of GEM Parking and Professional Parking System (both HRC certified firms). The assignment was conducted because: a) the operator requested to be released from the management agreement, and, b) the assignment would allow staff to prepare bid documents while still keeping the garage operating. We may use a straight bid process for this garage in the future because the operation is fairly straightforward.

Beneficial Observations

- Efficient re-assignment of the management agreement.
- Have new joint venture parking firms in the interim basis.
- Increased monthly parking accommodation by 270 patrons or 7.1% (12-month comparison ending June) to generate as much revenue as possible during this economic downturn.

Non-Beneficial Observations

- Average monthly gross revenue has decreased by \$16,898 or 8.0 % for the first 12 months of operation compared to the same period of the prior year.
- Average monthly parking tax collected has decreased by \$3,212 or 7.7 % for the first 12 months of operation compared to the same period of the prior year.
- Average monthly net revenue to the City has decreased by \$13,404 or 11.2 % for the first 12 months of operation compared to the same period of the prior year.

Summary

Although the performance of the Garage has been greatly affected by the economic downturn, the joint venture parking firms have done a reasonable job in generating revenues when possible. Also, the assignment allowed staff to concentrate on other management agreements during the interim period.

Polk-Bush Garage (assignment)

The Parking Authority Commission assigned the management agreement to one of the principals (NM Parking-HRC certified) of the second lowest bidder for the prior bid solicitation. The assignment was conducted because: a) the original operator requested termination of its management agreement due to debarment by the Airport Commission, and, b) the assignment would allow staff to prepare bid documents while still keeping the garage operating. We are planning to use a straight bid process for this Garage when the assignment terminates on the date the original contract terminates.

Beneficial Observations

- Re-assignment of the management agreement.
- Have new parking firm in the interim basis.
- Accommodations and revenues to the City are the same levels as the prior year for the first 10 months of operation despite the economic downturn.

Non-Beneficial Observations

- None to date.

Summary

In the first 10 months of operation, the parking firm has sustained prior year performances whereas many other businesses have been greatly affected by the economic downturn. Additionally, the assignment allowed staff to concentrate on other management agreements during the interim period.

Fifth and Mission Garage (Bid/RFP with operating expense reimbursements)

The City of San Francisco Downtown Parking Corporation was the first not-for-profit parking corporation to award a management agreement via a formal bid process of any kind in the last 30-40 years.

The Parking Corporation awarded the Fifth and Mission Garage management agreement with operating expense reimbursements via a Bid/RFP process. As mentioned in the Golden Gateway section of this report, we feel that the combination of Bid/RFP and reimbursements yielded the best short-term process for complex operations. First, the Bid/RFP criterion ensures that the firm is adequately prepared for managing the garage according to our specifications. Secondly, the reimbursement approach ensures that the successful parking firm would have sufficient funds to provide the specified services. Thirdly, the parking firms can submit aggressive management fees (bids) without compromising services because the fees reflect only overhead and profits.

Beneficial Observations

- We noticed a smooth transition during changeover of management period.
- Services are never compromised due to aggressive bids (management fees) because funding for the services are reviewed, approved and reimbursed by the Corporation and the City, and not by the parking firm from their management fee.
- On-site management team, management approach and marketing efforts are according to Bid/RFP submittals.
- Staff is confident of the parking firm.
- Saved staff time with fewer contract compliance issues.
- Net revenue to the City has increased by over \$1.5 million or 26.9 % in the first 12 months of operation compared to the same period of the prior year. Please note that this increase in net revenues is realized because of the elimination of the gross receipt tax and not an increase in parking revenues.

Non-Beneficial Observations

- Did not award the management agreement to the lowest bidder, costing the Corporation \$2,166.66 more each month.
- Entire Bid/RFP process took more effort and more time to complete.
- Staff and Corporation time required to review and/or approval expenditures.
- Average monthly gross revenues have decreased by \$92,057 or 7.2 % in the first 12 months of operation compared to the same period of the prior year.
- Average monthly parking tax collected have decreased by \$20,115 or 8.4 % in the first 12 months of operation compared to the same period of the prior year.
- Average monthly transient volume has decreased by 8,805 or 5.4 % in the first 12 months of operation compared to the same period of the prior year.
- Monthly parking volume has decreases.

Summary

The short-term evaluation indicates that we have not achieved our objective to the fullest. The quality of service, the management team, management approach and marketing strategies have been the bright spots of this management agreement during the economic downturn. Despite these best efforts of the parking firm, the revenues for this facility do reflect the downturn of the economy, unlike many of the previously mentioned garages. However, at this time, we do not have any data indicating the decrease in revenues are attributable to the process used to award the management agreement. Further, it is more likely attributable to the garage's South of Market location and the precipitous decline in technology and trade show activity in the vicinity of the garage. The long-term study should further reveal the strengths and weaknesses of the parking firm and the Bid/RFP process.

Finance Committee
July 9, 2002

Ellis-O'Farrell Garage (Bid/RFP with operating expense reimbursements). The City of San Francisco Ellis-O'Farrell Parking Corporation was the second not-for-profit parking corporation to successfully award a management agreement via a formal Bid/RFP process.

The City of San Francisco Ellis-O'Farrell Parking Corporation awarded the Ellis-O'Farrell Garage management agreement with operating expense reimbursements via a Bid/RFP process. As mentioned above, we feel that the combination of Bid/RFP and reimbursements yields the best short-term process for complex operations. First, the Bid/RFP criteria ensure that the firm is adequately prepared for managing the garage according to our specifications prior to the award of the contract. The successful parking firm conducted employee evaluations and transition meetings prior to managing the Garage. Secondly, the reimbursement approach ensures that the successful parking firm would have sufficient funds to provide the specified services. Under this contract, the parking firm is able to reduce operating cost by claiming all valet related damages through their own insurance and by reconfiguring the roof top spaces for self parking. Thirdly, the parking firms can submit aggressive management fees (bids) without compromising services because the fees reflect only overhead and profits. Finally, the highest-ranked firm also submitted the lowest management fees.

Beneficial Observations

- Awarded the management agreement to the highest-ranking firm that also submitted the lowest bid.
- We noticed an excellent transition during the changeover (of parking firms) period.
- Services are not compromised due to aggressive bids (management fees) because funding for the services are reviewed, approved and reimbursed by the Corporation and the City, and not by the parking firm from their management fee.
- Received the lowest bid.
- On-site management team, management approach and marketing efforts have met or exceeded efforts as written in the Bid/RFP submittals.
- Staff is confident of the parking firm.
- Saved staff time with fewer contract compliance issues.
- Parking revenues, parking taxes, net revenues, transient volume and monthly parking volume have all increased in the first two months of operation compared to the same period of the prior year. Total net revenue to the City increased by \$24,845 or 29.3 %.

Non-Beneficial Observations

- Entire Bid/RFP process took more effort and more time to complete.
- Staff and Corporation time required to review and/or approval expenditures.
- Under this Bid/RFP process, the highest-ranking firm could have charged the Corporation \$1,416.66 more each month and would have still ranked first.

Finance Committee
July 9, 2002

Summary

The short-term evaluation indicates that we have achieved our objective to the fullest. The Corporation received the lowest bid and quality service. The management team, the management approach and the marketing strategies have been excellent while revenues have increased. The long-term study should reveal the strengths and weaknesses of the parking firm and the Bid/RFP process.

Conclusion

Analysis of the short-term results indicates that the objectives of the Bid/RFP process have been achieved. The proposal process has enabled us to select parking firms that are the most appropriate for specific garages. This has been achieved by the evaluation of specific garage management and operational skills uniquely crucial to the operation each individual facility. In other words, the Bid/Process has allowed the Department to select parking firms that have the highest chance to attain the greatest degree of success.

Success is measured by fulfillment of our definition of "the best interest of the City" as the net benefits to the City and County Governance, the garage patrons, and the neighboring residents, businesses and institutions."

As shown in the attachment *Bid & Bid/RFP Performance Comparisons*, the fiscal performance thus far of the two Bid/RFP management agreements has been positive despite the downturn of the economy and rising labor expenses. The quality of service and the physical condition of the facilities have also been exceptional.

Similarly, one of two management agreements awarded via straight bid has also demonstrated positive net revenues while simultaneously increasing parking accommodations.

The two Bid/RFPs that were conducted by the not-for-profit parking corporations have experienced mixed fiscal results thus far. The downtown location of these two garages and their natural economic ties to the downtown economy likely plays a significant role in these revenue results. Both corporations, however, selected the highest-ranking firm with a strong management team and management approach that is conducive to a high level of customer service.

Although the two management assignments were authorized solely due to withdrawal of the original parking firm, one garage has shown strong resilience to the economic downturn.

In conclusion, the overall short-term benefits derived from the parking firms selected by the Bid/RFP process were realized either in terms of revenue growth, customer service enhancement, or both. Beyond solely empirical results, we feel confident that the parking firms selected through a Bid/RFP process are composed of strong management teams

capable of maximizing revenues and providing the highest quality services to our residents, merchants and visitors. The Bid/RFP process has enabled the City to acquire such quality, qualified firms at minimal or no extra cost to the City.

Prepared by:
Ronald Szeto, Acting Director
Scott Ruble, Property Manager
Steven Lee, Administrative Analyst
Rosie Scott, Office Manager
Jerry Romani, Real Estate Division

H:\PARKING\Budget Analyst\125-02-PTC Urging the Board of Supervisors to Amend Section 17.11(a) report.doc

DEPARTMENT OF PARKING AND TRAFFIC

Anticipated Management Agreement Schedule and Proposed Selection Process

Garage	Existing Agreement Status			Proposed Process		
	Current Operator	Expiration Date	Status	Bid/RFP	Bid	Fiscal Arrangement
Golden Gateway	Five Star / Elite Parking	October 2006	Current	X		Completed Flat profit and reimbursed expenses
Performing Arts	DAJA, Inc.	March 2006	Current	X		Completed Flat fee covers profit & expenses
North Beach	Pacific Park Management	December 2004	Current		X	Completed Flat fee covers profit & expenses
Vallejo Street	Pacific Park Management	December 2004	Current			
Polk Bush	NM Parking	March 2004	Current		X	Anticipated for Mar. 04 Flat fee covers profit & expenses
SF General Hospital	Pacific Park Management	June 2003	Current	X		Anticipated for June 03 Flat fee covers profit & expenses
St. Mary's Square	PCI / DAJA, Inc.	September 2002	Current	X		Evaluating Proposals Flat profit and reimbursed expenses
Hoff Street	PCI / DAJA, Inc.	September 2002	Current		X	Evaluating Proposals Flat fee covers profit & expenses
Lombard Street	Pacific Park Management	April 2001	Month to Month		X	Anticipated for Jan. 03 Flat fee covers profit & expenses
Moscone Center	GEM / PPS	February 2000	Month to Month		X	Preparing Documents % of Gross covers profit & expenses
1660 Mission	Convenient Park	March 1999	Month to Month		X	Anticipated for June 03 Flat fee covers profit & expenses
Civic Center	Ampco System Parking	August 1997	Month to Month	X		Preparing Documents Flat profit and reimbursed expenses
* Mission Bartlett	S&F / MEIDA	September 1996	Month to Month	X	X	Anticipated for Jan. 03 Flat fee covers profit & expenses
Direct Operator Agreements						
Ellis O'Farrell	Parking Concepts, Inc.	April 2007	Current	X		Completed Flat profit and reimbursed expenses
Fifth & Mission	Ampco System Parking	May 2006	Current	X		Completed Flat profit and reimbursed expenses
Union Square	City Park Management	March 2001	Month to Month	X		Preparing Documents Flat profit and reimbursed expenses
Japan Center	Ampco System Parking	N/A	Month to Month	X		Preparing Documents Flat profit and reimbursed expenses
Portsmouth Square	City Park Management	N/A	Month to Month	X		Preparing Documents Flat profit and reimbursed expenses
Sutter Stockton	Ampco System Parking	N/A	Month to Month	X		Preparing Documents Flat profit and reimbursed expenses
Not for Profit Corporation Garages						

* This garage may lend itself most favorably to either a Bid or Bid/RFP process

Bid & Bid/RFP Performance Comparisons

Garage	Gross Revenue	Parking Tax	Net Income	Transient Vehicles	Monthly Vehicles
Golden Gateway - 4 months					
Five Star / Elite Parking					
March 2001 to June 2001	2,027,794	370,523	1,180,267	93,320	2007
March 2002 to June 2002	2,019,825	337,533	1,252,513	79,206	3301
Increase/Decrease	(7,969)	(32,990)	72,246	(14,114)	1,294
Percentage Inc/Dec	-0.39%	-8.90%	6.12%	-15.12%	64.47%
4 month ave. 3/01 to 6/01	506,948.50	92,630.75	295,066.75	23,330.00	501.75
4 month ave. 3/02 to 6/02	504,956.25	84,383.25	313,128.25	19,801.50	825.25
Increase/Decrease	(1,992)	(8,248)	18,062	(3,529)	324
Performing Arts - 12 months					
DAJA, Inc.					
April 2000 to March 2001	1,463,120	286,194	826,918	135,085	3914
April 2001 to March 2002	1,616,653	320,022	820,957	147,981	3681
Increase/Decrease	153,533	33,828	(5,961)	12,896	(233)
Percentage Inc/Dec	10.49%	11.82%	-0.72%	9.55%	-5.95%
12 month ave. 4/00 to 3/01	121,927	23,850	68,910	11,257	326
15 month ave. 4/01 to 6/02	136,501	27,022	70,842	12,651	295
Increase/Decrease	14,574	3,172	1,932	1,394	(31)
Percentage Inc/Dec	11.95%	13.30%	2.80%	12.38%	-9.51%
Fifth & Mission - 12 months					
Ampco System Parking					
June 2000 to May 2001	15,440,521	2,874,124	5,908,921	1,941,509	8920
June 2001 to May 2002	14,335,838	2,632,744	7,500,527	1,835,844	8514
Increase/Decrease	(1,104,683)	(241,380)	1,591,606	(105,665)	(406)
Percentage Inc/Dec	-7.15%	-8.40%	26.94%	-5.44%	-4.55%
12 month ave. 6/00 to 5/01	1,286,710	239,510	492,410	161,792	743
12 month ave. 6/01 to 5/02	1,194,653	219,395	625,044	152,987	710
Increase/Decrease	(92,057)	(20,115)	132,634	(8,805)	(34)

Garage	Gross Revenue	Parking Tax	Net Income	Transient Vehicles	Monthly Vehicles
Ellis O'Farrell - 2 months					
Parking Concepts, Inc.					
May 2001 to June 2001	774,432	135,586	84,726	134,201	344
May 2002 to June 2002	757,969	137,810	109,571	137,974	372
Increase/Decrease	(16,463)	2,224	24,845	3,773	28
Percentage Inc/Dec	-2.13%	1.64%	29.32%	2.81%	8.14%
2 month ave. 5/01 to 6/01	387,216	67,793	42,363	67,101	172
2 month ave. 5/02 to 6/02	378,985	68,905	54,786	68,987	186
Increase/Decrease	(8,232)	1,112	12,423	1,887	14
North Beach & Vallejo - 5 months					
NE					
February 2001 to June 2001	N/A	N/A	N/A	N/A	N/A
February 2002 to June 2002	332,815	66,634	138,847	60,627	86
Vallejo					
February 2001 to June 2001	497,168	98,934	155,939	81,475	212
February 2002 to June 2002	345,213	69,050	122,129	62,904	58
Total					
February 2001 to June 2001	497,168	98,934	155,939	81,475	212
February 2002 to June 2002	678,028	135,684	260,976	123,531	174
Increase/Decrease	180,860	36,750	105,037	42,056	(38)
Percentage Inc/Dec	36.38%	37.15%	67.36%	51.62%	-17.92%
5 month ave. 2/01 to 6/01	99,434	19,787	31,188	16,295	42
5 month ave. 2/02 to 6/02	135,606	27,137	52,195	24,706	35
Increase/Decrease	36,172	7,350	21,007	8,411	(8)
Polk Bush - 10 months					
September 2000 to June 2001	314,483	62,443	82,781	48,179	851
September 2001 to June 2002	318,466	63,390	77,757	47,813	838
Increase/Decrease	3,983	947	(5,024)	(366)	(13)
Percentage Inc/Dec	1.27%	1.52%	-6.07%	-0.76%	-1.53%
10 month ave. 9/00 to 6/01	31,448	6,244	8,278	4,818	85
10 month ave. 9/01 to 6/02	31,847	6,339	7,776	4,781	84
Increase/Decrease	398	95	(502)	(37)	(1)
Moscone Center - 12 months					
July 2000 to June 2001	2,537,357	502,291	1,442,221	199,530	3,792
July 2001 to June 2002	2,334,582	463,749	1,281,379	182,756	4,062
Increase/Decrease	(202,775)	(38,542)	(160,842)	(16,774)	270
Percentage Inc/Dec	-7.99%	-7.67%	-11.15%	-8.41%	7.12%
12 month ave. 7/00 to 6/01	211,446	41,858	120,185	16,628	316
12 month ave. 7/01 to 6/02	194,549	38,646	106,782	15,230	339
Increase/Decrease	(16,898)	(3,212)	(13,404)	(1,398)	23

Attachment I

Bid/Request for Proposal (RFP) For Professional Garage Management Services Pros and Cons

Pros

1. The Bid/RFP process provides the City with the best services at the most reasonable cost.
2. The Bid/RFP process restricts aggressive bidding (low bids that possibly will require the operator to reduce services to maintain profitability over the term of the contract).
3. The Bid/RFP process requires proposers to thoroughly evaluate the garage characteristics, needs and potentials before submitting proposals. In the past, some bidders would submit a bid amount hoping their bid would be the lowest without understanding the requirements of the management agreement or the true operational needs of the subject garage and the surrounding community.
4. When the Bid/RFP process is conducted with a budgetary Management Agreement, the management arrangement is the most beneficial to the City because "Low Ball" bids are eliminated while services to the City and communities are retained.

Cons

1. The Bid/RFP process takes more time for staff to prepare documents and conduct evaluations.
2. Staff undergoes more scrutiny and there is a higher potential for bid challenges.
3. There is a potential for staff influences on the final outcome.
4. When the budgetary management agreement is used, it takes additional staff time to monitor operating expenses as approved in the annual budget.
5. The Bid/RFP process take longer to complete due to document preparation and evaluation processes.
6. City does not always get the lowest bid.



LLIE LEWIS BROWN, JR., Mayor
ED M. HAMDUN, EXECUTIVE DIRECTOR

NALD SZETO, DIRECTOR, PARKING AUTHORITY

MEMORANDUM

DATE: November 26, 2002

TO: Mr. Ken Bruce, Analyst
Office of the Budget Analyst

FROM: Ronald Szeto, Director *PS*
Parking Authority

SUBJECT: Bid/RFP Process

The purpose of this memorandum is to provide additional analysis on the Bid/RFP process and to identify the advantages of the process. For three-plus years, the Department of Parking and Traffic (the "Department") has been working with the Office of the Budget Analyst in studying the utilization of the Bid/RFP process. As mentioned in previous communications on the subject, the Department, with the full support of the Municipal Transportation Agency, the Parking Authority Commission and the former Parking and Traffic Commission, has determined that the Bid/RFP process has been in the best interest of the City in the short term (three-plus years of utilization) and recommends continuing the utilization of the Bid/RFP process and continued study and analysis of this process for the long-term.

It has been the experience of this Department that the "low bid" for a service is not always in the best interest of the City. In any economic model, one must always consider revenues as well as expenses. Under the competitive or straight bid process, only expenses are considered, representing just one-half of the economic model. Whereas, the Bid/RFP process has shown short-term success while considering not just projected expenses but revenue production as well.

As stated in my July 9, 2002 letter to the Finance Committee, "While the short-term effects of the Bid/RFP have thus far demonstrated positive results, we are requesting extension of the authorization to use a Bid/RFP process until June 1, 2007 to evaluate the long-term effects". Due to the need for a long-term evaluation of the Bid/RFP process, it is not prudent to make a recommendation to have the Bid/RFP process a permanent process at this time.

Under the right conditions, the Department agrees with the Budget Analyst that a competitive bid is most often the superior process for contracting of goods and services by a municipality. Examples of such conditions are buying goods (e.g., light bulbs or brooms) or contracting for simple services (e.g., cashiering or steam cleaning). However, in the contracting of complex, high revenue, customer service intensive garage management agreements, the Department strongly recommends utilizing the Bid/RFP process.

Contracting with a parking firm is like hiring employees. For simple tasks, almost any employee could perform the work to meet or exceed the minimum standards. However, for more difficult tasks, the job performance of the person with the right skills, tools and expertise will always be superior to the employee with fewer skills, improper tools and less experience.

Analogous to the reasons mentioned-above, the Department recommends utilizing a competitive bid process for smaller and/or simple garage operations and a Bid/RFP process for larger and/or more complex garage operations. Please note that the smaller garages with simple operations are normally easily managed by parking firms with relatively modest operating experience. Since the benefit to the City is not critically dependent on the expertise of the management firm, the Department agrees with the Budget Analyst that a competitive bid process is the right process.

However, some of our garages require a high level of expertise. These garages handle hundreds of cars per hour, conduct complex and highly coordinated valet parking activities, employ dozens of employees with constantly differing work and shift schedules, and the patrons of such garages (i.e. downtown and financial district) are accustomed to quick, efficient assistance and premium customer service. In such cases, the operator's management approach and the management team are acutely crucial to the overall success of the garage operation. This success translates directly to benefits to the City. The proper management team will consistently generate more revenue for the City by attracting and retaining more customers, pushing operations to accommodate more patrons and reduce expenses by obtaining multiple bids for simple goods and services and operating efficiently.

We believe that the management fee paid by the City should be commensurate with the level of services provided to the garage's patrons (the public) and the City. We would like to point out that for the 2002-2003 fiscal year, management fees to be paid will total only \$262,164 or 1.7% of the total operating budget of \$15,460,016 for the eight garages with budgetary management agreements. Furthermore, proposals are shrewdly critiqued and evaluated for the many services and benefits that the parking operator will produce for the City.

In our professional opinions, having worked as a valet attendant, a cashier, a supervisor, a manager and an administrator, the probability of success for a complex operation are substantially greater for a highly qualified management firm than for any given firm which happens to “get lucky” and submits the lowest responsive and responsible bid. With the Bid/RFP approach, the City, the garage operator, and the public have the greatest chance to acquire the maximum benefit from the garage facility because both halves of the economic model are duly considered, which is truly in the best interest of the City.

Since the short-term results are positive and because both the Budget Analyst and the Department agree that defined performance measures are necessary to truly continue to gauge the benefits of the Bid/RFP process, the Department has compiled six performance measures to aid in this analysis.

The Parking Authority staff, as a group, proposes to use the attached Performance Measure Rating Sheet (attachment A) to evaluate each garage operator on six essential areas of garage management as an on-going measure of their performance. Each Parking Authority staff interacts with each parking operator at difference levels on a regular basis and as a group can perform the evaluations very effectively.

The following measures will be reviewed for each garage on a monthly basis by the entire Parking Authority staff. The staff has conducted one trial review of these measures and found the process to quite useful and very successful. The review of all of the garages took about two hours. As all four staff members participated in the review process, the total staff time needed for this monthly review is approximately eight hours. The current performance review measures are as follows:

1. **Compliance (checklists)** – The compliance checklists are a function of the management agreement that requires the operator to perform regularly scheduled maintenance and checks on items including safety, lighting, mechanical, structural and aesthetics of the facility. These measures will rate the operator not only on completing the requirements of their operating contract, but also on how well the operator proactively maintains the facility. Attached are checklists that are incorporated into the Management Agreements (attachment B).
2. **Responsiveness to the City** – The Department frequently makes requests of the parking operators for implementation of City programs and special functions. In addition, the Department routinely requests information on operational, financial and community related issues. This entry will rate the operator on the effectiveness and timeliness of their compliance with City requests and evaluate their contributions to program implementations.

For example, we would rate the effectiveness of the operator in hiring employees, the amount of time the operator takes to implement a valet program, the number of additional patrons as a result of the program, the cost of the program, the additional revenues generated by the program, and the amount of inconvenience cause by the program to the patrons that would have otherwise self-parked.

3. **Employees** – Properly trained and effectively managed employees establish a good working environment and attribute directly to pleasurable parking experiences for the parking patrons. Outstanding employees are the single most important asset of successful garage operations. This entry will rate the operator on employee appearance, courteousness, effectiveness, skill and willingness to assist the public.
4. **Services** – Parking operators and garage employees are always encouraged by the Department to make suggestions that would increase/enhance services to the patrons and communities. Services may include, but are not limited to, valet assistance, monthly billing, carpool parking, shuttle services, electric vehicle charging stations, signage, validation programs, vehicle location assistance, lock-out assistance, jump-starts, newspapers, directional maps, window washing and car detailing. This entry will rate the operator on its efforts in implementing new services and enhancing existing services.
5. **Marketing** – Successful and effective marketing maximizes a garage's revenues as well as its usefulness and value to the surrounding communities. Researching and understanding the clientele and the parking needs of the community enables the operator to create innovative programs that will accommodate the community's parking needs in conjunction with increasing public recognition and enhancing customer appreciation of the garage. The operator will be rated on its efforts to understand the community's parking needs, to create and implement a marketing model, and the success of the overall marketing program in terms of increased business.
6. **Comment Cards** – The Department will require that each garage have comment cards available to the parking patrons. The comment cards are returnable to the City and shall provide the parking patrons with an opportunity to remark on the garage operation and services. This entry will reflect the customers' comments and the operator's ability to improve on noted deficiencies as well as the frequency with which staff notices comment cards are not available and the ratio of both positive and negative comment cards per 1,000 customers. Attached is a sample comment card (attachment C).

In order to make these performance measures more quantifiable and therefore all the more useful in determining the performance effects of the Bid/RFP process in the long term, the Department has developed even more stringent and specific sub-measures for these six aforementioned performance measures.

These additional performance measures can be clearly documented and are quantifiable. However, the staff time required to compile these additional measures will be significant. Unfortunately, the compilation of these additional measures is impracticality at this time due to the enormous workload and limited staffing of the Parking Authority.

Couple of years ago, the Parking Authority, in anticipation of the recent economic downturn, intentionally decided not to fill a vacant Deputy Director position and in the mist of the City's current financial condition and budget constraints, the Parking Authority again elected not to fill the position nor requested for needed additional staff. However, when the additional staff person(s) become available, the Department will employ these additional quantified measures. After discussions with the Budget Analyst's Office, the Parking Authority staff has agreed to request for the position in the upcoming fiscal year. Additional measures are attached (attachment D).

The Department feels that these six performance measures will assist the Department, the Office of the Budget Analyst and the Municipal Transportation Agency to further realize the empirical evidence that the Bid/RFP process, in selective utilization, is in the best interest of the City and that the Bid/RFP process allows the City to select an operator with the greatest possible chance to achieve the highest level of success.

Prepared by:

Ronald Szeto, Director, Parking Authority
Steven Lee, Principal Analyst, Parking Authority
Scott Ruble, Property Manager, Parking Authority
Jerry Romani, Principal Real Property Officer, Real Estate
Diana Hammons, Legislative Affairs, DPT

Operator

Evaluation group rates each category on a scale from 1 to 10 (1=unsatisfactory, 5 = Average, 10 = excellent)
(use black or blue ink pen)

Comments:

Attachment B

MAINTENANCE SCHEDULE
(Garage Name)

ITEM	Daily	Weekly	Monthly	Quarterly	emi-Annual	Annually
Lights						
Inspect lights	X					
Replace burnt-out bulbs	X					
Inspect broken fixtures	X					
Replace discolored covers	X					

Cleaning						
Elevator areas	X					
Stairwell areas	X					
Bathroom & lobbies	X					
Parking areas	X					
Pick-up litter	X					
Cashier booths/stations		X				
Windows			X			
Steam-clean stairwells				X		
Ventilation Vents					X	
Steam-clean Garage					X	

Painting						
Paint over graffiti	X					
Paint over foreign marks			X			
Touch-up						X
Inspect striping						X

Elevators						
Inspect elevator operations		X				
Professional Periodic Maintenance			X			
Professional inspection						X

Landscaping						
Inspect Irrigation System		X				
Remove Weeds			X			
Prune trees and plants						X

Signs						
Inspect signs		X				
Repair/replace damaged signs		X				

Mechanical						
Doors open and lock properly		X				
Inspect parking equipment		X				
Inspect HVAC operations			X			

MAINTENANCE CHECKLIST
(Garage Name)

ITEM	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials
Windows	5/10/2001			5/10/2002			5/10/2003		
	6/10/2001			6/10/2002			6/10/2003		
	7/10/2001			7/10/2002			7/10/2003		
	8/10/2001			8/10/2002			8/10/2003		
	9/10/2001			9/10/2002			9/10/2003		
	10/10/2001			10/10/2002			10/10/2003		
	11/10/2001			11/10/2002			11/10/2003		
	12/10/2001			12/10/2002			12/10/2003		
	1/10/2002			1/10/2003			1/10/2004		
	2/10/2002			2/10/2003			2/10/2004		
Steam-clean stairwells	3/10/2002			3/10/2003			3/10/2004		
	4/10/2002			4/10/2003			4/10/2004		
	7/10/2001			7/10/2002			7/10/2003		
	10/10/2001			10/10/2002			10/10/2003		
	1/10/2002			1/10/2003			1/10/2004		
	4/10/2002			4/10/2003			4/10/2004		
	7/10/2001			7/10/2002			7/10/2003		
	10/10/2001			10/10/2002			10/10/2003		
	1/10/2002			1/10/2003			1/10/2004		
	4/10/2002			4/10/2003			4/10/2004		
Inspect/Service Close Circuit Camera System									
Clean Ventilation Vents	7/10/2001			7/10/2002			7/10/2003		
	10/10/2001			10/10/2002			10/10/2003		
	1/10/2002			1/10/2003			1/10/2004		
	4/10/2002			4/10/2003			4/10/2004		
Steam-Clean Garage	10/10/2001			10/10/2002			10/10/2003		
	4/10/2002			4/10/2003			4/10/2004		
	5/10/2001			5/10/2002			5/10/2003		
	6/10/2001			6/10/2002			6/10/2003		
	7/10/2001			7/10/2002			7/10/2003		
	8/10/2001			8/10/2002			8/10/2003		
	9/10/2001			9/10/2002			9/10/2003		
	10/10/2001			10/10/2002			10/10/2003		
	11/10/2001			11/10/2002			11/10/2003		
	12/10/2001			12/10/2002			12/10/2003		
	1/10/2002			1/10/2003			1/10/2004		
	2/10/2002			2/10/2003			2/10/2004		
	3/10/2002			3/10/2003			3/10/2004		
	4/10/2002			4/10/2003			4/10/2004		
	7/10/2001			7/10/2002			7/10/2003		
	10/10/2001			10/10/2002			10/10/2003		
	1/10/2002			1/10/2003			1/10/2004		
	4/10/2002			4/10/2003			4/10/2004		
	7/10/2001			7/10/2002			7/10/2003		
	10/10/2001			10/10/2002			10/10/2003		
	1/10/2002			1/10/2003			1/10/2004		
	4/10/2002			4/10/2003			4/10/2004		

MAINTENANCE CHECKLIST

(Garage Name)

ITEM	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials
Paint over foreign marks															
	5/20/2001			5/20/2002			5/20/2003			5/20/2004			5/20/2005		
	6/20/2001			6/20/2002			6/20/2003			6/20/2004			6/20/2005		
	7/20/2001			7/20/2002			7/20/2003			7/20/2004			7/20/2005		
	8/20/2001			8/20/2002			8/20/2003			8/20/2004			8/20/2005		
	9/20/2001			9/20/2002			9/20/2003			9/20/2004			9/20/2005		
	10/20/2001			10/20/2002			10/20/2003			10/20/2004			10/20/2005		
	11/20/2001			11/20/2002			11/20/2003			11/20/2004			11/20/2005		
	12/20/2001			12/20/2002			12/20/2003			12/20/2004			12/20/2005		
	1/20/2002			1/20/2003			1/20/2004			1/20/2005			1/20/2006		
	2/20/2002			2/20/2003			2/20/2004			2/20/2005			2/20/2006		
	3/20/2002			3/20/2003			3/20/2004			3/20/2005			3/20/2006		
	4/20/2002			4/20/2003			4/20/2004			4/20/2005			4/20/2006		

Inspect HVAC operations

	5/25/2001			5/25/2002			5/25/2003			5/25/2004			5/25/2005		
	6/25/2001			6/25/2002			6/25/2003			6/25/2004			6/25/2005		
	7/25/2001			7/25/2002			7/25/2003			7/25/2004			7/25/2005		
	8/25/2001			8/25/2002			8/25/2003			8/25/2004			8/25/2005		
	9/25/2001			9/25/2002			9/25/2003			9/25/2004			9/25/2005		
	10/25/2001			10/25/2002			10/25/2003			10/25/2004			10/25/2005		
	11/25/2001			11/25/2002			11/25/2003			11/25/2004			11/25/2005		
	12/25/2001			12/25/2002			12/25/2003			12/25/2004			12/25/2005		
	1/25/2002			1/25/2003			1/25/2004			1/25/2005			1/25/2006		
	2/25/2002			2/25/2003			2/25/2004			2/25/2005			2/25/2006		
	3/25/2002			3/25/2003			3/25/2004			3/25/2005			3/25/2006		
	4/25/2002			4/25/2003			4/25/2004			4/25/2005			4/25/2006		

MAINTENANCE CHECKLIST
(Garage Name)

ITEM	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials	Date Scheduled	Date Completed	Garage Supervisor's initials
------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------	----------------	----------------	------------------------------

[illegible]

MAINTENANCE CHECKLIST
(Garage Name)

Inspect fire alarms/equipment

5/25/2001			5/25/2002			5/25/2003			5/25/2004			5/25/2005
6/25/2001			6/25/2002			6/25/2003			6/25/2004			6/25/2005
7/25/2001			7/25/2002			7/25/2003			7/25/2004			7/25/2005
8/25/2001			8/25/2002			8/25/2003			8/25/2004			8/25/2005
9/25/2001			9/25/2002			9/25/2003			9/25/2004			9/25/2005
10/25/2001			10/25/2002			10/25/2003			10/25/2004			10/25/2005
11/25/2001			11/25/2002			11/25/2003			11/25/2004			11/25/2005
12/25/2001			12/25/2002			12/25/2003			12/25/2004			12/25/2005
1/25/2002			1/25/2003			1/25/2004			1/25/2005			1/25/2006
2/25/2002			2/25/2003			2/25/2004			2/25/2005			2/25/2006
3/25/2002			3/25/2003			3/25/2004			3/25/2005			3/25/2006
4/25/2002			4/25/2003			4/25/2004			4/25/2005			4/25/2006

Inspect water leaks

5/10/2002			5/10/2003			5/10/2004			5/10/2005			5/10/2006
-----------	--	--	-----------	--	--	-----------	--	--	-----------	--	--	-----------

Inspect floors for exposed rebar

5/10/2002			5/10/2003			5/10/2004			5/10/2005			5/10/2006
-----------	--	--	-----------	--	--	-----------	--	--	-----------	--	--	-----------

Inspect concrete for cracks

5/10/2002			5/10/2003			5/10/2004			5/10/2005			5/10/2006
-----------	--	--	-----------	--	--	-----------	--	--	-----------	--	--	-----------

Inspect metal for rust

5/10/2002			5/10/2003			5/10/2004			5/10/2005			5/10/2006
-----------	--	--	-----------	--	--	-----------	--	--	-----------	--	--	-----------

Touch-up paint

5/10/2002			5/10/2003			5/10/2004			5/10/2005			5/10/2006
-----------	--	--	-----------	--	--	-----------	--	--	-----------	--	--	-----------

Inspect striping

5/10/2002			5/10/2003			5/10/2004			5/10/2005			5/10/2006
-----------	--	--	-----------	--	--	-----------	--	--	-----------	--	--	-----------

Professional elevators inspection

5/10/2002			5/10/2003			5/10/2004			5/10/2005			5/10/2006
-----------	--	--	-----------	--	--	-----------	--	--	-----------	--	--	-----------

Prune trees and plants

5/10/2002			5/10/2003			5/10/2004			5/10/2005			5/10/2006
-----------	--	--	-----------	--	--	-----------	--	--	-----------	--	--	-----------

Attachment C



Comment Card

Thank you for parking with us!



The Department of Parking and Traffic values your patronage
and would appreciate your comments.

Please take a moment to complete this card.
Mail to: Department of Parking and Traffic.
(No Postage Necessary) Questions? 554-9805

Please rate the following from 1 to 10
(1 = poor, 10 = excellent)

Garage: Overall ____ Lighting ____ Cleanliness ____ Signage ____
Employees: Overall ____ Appearance ____ Helpfulness ____ Courteousness ____
Services: Overall ____ Ease of Payment ____ Valet Parking ____
Would you park here again? (Y/N) ____
Comments: _____

THANK YOU!



BUSINESS REPLY MAIL

FIRST-CLASS MAIL PERMIT NO. 00000 SAN FRANCISCO CA

POSTAGE WILL BE PAID BY ADDRESSEE

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES



DEPARTMENT OF PARKING AND TRAFFIC
PARKING AUTHORITY
25 VAN NESS AVENUE, SUITE 420
SAN FRANCISCO, CA 94102
c/o (garage name)



Attachment D

PROPOSED ADDITIONAL QUANTIFIABLE PERFORMANCE MEASURES

1) Compliance

The performance measures will include:

- a) Copies of compliance checklist by the 5th business day of subsequent month
- b) On-time submittals shall automatically receive a set rating
- c) Late submittals shall decrease rating
- d) Missing entries shall decrease rating
- e) Inaccurate entries shall significantly decrease rating
- f) Corrective action requested by the Department for items that are responsibility of the operator (i.e. graffiti removal, steam cleaning, light replacement) shall decrease rating
- g) Corrective action not performed within specified time shall decrease rating

2) Responsiveness to the City

The performance measures will include:

- a) The description of each request made of the operator
- b) The number of days the operator takes to provide or implement each request
- c) The number of telephone calls/clarifications until request is satisfied

The Department will periodically request information, log requests and give an agreed upon deadline for completion. Operators shall increase or decrease their rating depending on the complexity for each successful or failed response on the following categories:

- a) Financial statements
- b) Revenues
- c) Utilization reports and graphs
- d) Response to customer complaints
- e) Requests for corrective action (i.e. graffiti removal, steam cleaning, light replacement)
- f) Multiple estimates for capital improvements, services and supplies
- g) Program participation and status reports (i.e. carpool patrons, carpool validation programs, shuttle programs, validation programs)

3) Employees

The performance measures will include:

- a) Percentage of employees that have attended a certified customer service training session
- b) Number of confirmed incidences of employee rudeness or misconduct
- c) Number of times the Department notifies the operator than an employee did not meet uniform standards
- d) Employee feedback from comment cards which rate employee's appearance, helpfulness and courteousness
- e) Number of vehicles per FTE per year for self-park and valet operations
- f) Employee satisfaction – The Department will solicit the garage employees' satisfaction level regarding their employers, the garage facility, the customers and the Department

4) Services

The performance measures will include:

- a) The number and types of services provided by the operator
- b) The feedback from comment cards rating the quality of services provided
- c) Number of damage claims
- d) Prompt response to customer complaints
- e) The average time taken to retrieve valet vehicles
- f) Sufficient supervision schedules at all times
- g) The average time to process transactions at pay at exit locations

5) Marketing

A successful marketing program will naturally generate more revenues when compared to an operation without a strong, targeted marketing effort. We will account for the status of the economy, the location of the garage, the potential customers using the garage, etc.)

The performance measures will include a comparison of:

- a) The gross revenue
- b) The net revenue
- c) The number of transient vehicles
- d) The number of monthly parkers

6) Comment Cards

No additional measures associated with comment cards

Item 6 - File 02-1826

Department: Department of Elections

Item: Request for release of \$1,322,849 of reserved funds for the December 10, 2002 run-off election.

Amount: \$1,322,849

Source of Funds: General Fund

Description: The Board of Supervisors reserved \$1,322,849 in the Department of Elections FY 2002-2003 budget to cover the costs for a potential run-off election on December 10, 2002, pending the outcome of the November 5, 2002 election. The November 5, 2002 ballot contained candidates for five different District Supervisor seats. Of the five Districts, three District Supervisors received more than 50 percent of the votes and in two Districts, no candidate received over 50 percent of the vote, necessitating a run-off election in these two Supervisorial Districts (Districts 4 and 8) on December 10, 2002.

Budget: Attachment I to this report, provided by the Department of Elections, identifies the estimated costs of \$1,303,615 for the December 10, 2002 run-off election (See Comment No. 2). Attachment II, provided by the Department of Elections, provides explanations for each proposed expenditure.

Comments: 1. A preliminary review of the Department of Elections FY 2002-2003 spending patterns as of November 8, 2002 indicates that, similar to previous year's expenditure patterns, the Department is underspending in Permanent Salaries and significantly overspending in Temporary Salaries. According to Ms. Suzanne Berg of the Department of Elections, there are currently 11 FTE permanent positions filled, or 44.4 percent out of a total 24.75 FTE permanent positions budgeted in the Department, with the balance of 13.75 FTE permanent positions being vacant, resulting in a 55.6 vacancy factor.

BOARD OF SUPERVISORS
BUDGET ANALYST

The Budget Analyst notes that, based on a review of recent Department of Elections payroll reports, a portion of the FY 2002-2003 Permanent Salary expenditures result from salary payments to the former Director of Elections (\$124,514 annual salary), who left the Department on April 23, 2002 and who is still being paid and salary payments to the previous Deputy Director of Elections (\$95,186 annual salary), who left the Department on May 13, 2002 and who is still being paid. The annual salary and related fringe benefit expenses for these two positions are currently being paid from the Department of Elections existing FY 2002-2003 Permanent Salary and Fringe Benefit budget. Ms. Berg advises that the Deputy Director has been receiving full compensatory time off payments in cash since May 13, 2002. The former Director is being paid from the current FY 2002-2003 budget pursuant to a court order.

2. As noted above, the Department of Elections proposed run-off budget of \$1,303,615 is \$19,234 less than the \$1,322,849 now being requested and previously placed on reserve by the Board of Supervisors. However, the Budget Analyst notes that the December 10, 2002 run-off budget of \$1,322,849, which was included in the FY 2002-2003 budget for the Department of Elections, and then placed on reserve, assumed that all five of the Districts in which Supervisors were running would result in run-off elections. As noted above, the proposed December 10, 2002 run-off election will actually take place in only two of the five Supervisorial Districts, or three fewer Districts than the five Districts for which funding was placed on reserve.

3. As detailed in Attachment II, the Department has budgeted each temporary position at \$4,320, assuming an average rate of \$18.50 per hour and approximately six weeks of work for each position, for an average of 233.5 hours per position at a total cost of \$427,680, for 99 temporary workers for the six week period. The Budget Analyst questions the

BOARD OF SUPERVISORS
BUDGET ANALYST

need for \$427,680 of Temporary Salary funds for the proposed December 10, 2002 run-off election. For example, the Budget Analyst questions why the Department needs nine temporary employees, each working for six weeks, for an estimated cost of \$38,880 to recruit an estimated 642 poll workers in two Supervisorial Districts containing 127 polling places, when the Department just recently conducted a City-wide election on November 5, 2002, at which approximately 3,700 poll workers were recruited and hired for all 632 of the City's polling places, such that a portion of these same poll workers that were used for the November 5, 2002 election should be readily available for the December 10, 2002 much simpler run-off election. In addition, the Budget Analyst questions why the Department is hiring all new City employees to fill temporary positions when Proposition E, approved by the San Francisco voters in November of 2001, and which was clarified in Proposition G, approved in the November of 2002 election, permits the Department of Elections to seek a waiver to permit existing City employees to work as Field Election Deputies (FEDs) or to perform other administrative tasks for the Department. Furthermore, many of the administrative tasks for which temporary employees are listed, such as Administrative Assistant, Budget and Personnel, Secretary and Information Officer are ongoing activities of the Department and are not necessarily directly related to the December run-off election. In fact, the Budget Analyst notes that the amount of funds placed on reserve for Temporary Salaries was \$410,000, assuming run off elections were to be held in five Supervisorial Districts, and yet the Department is now requesting the release of \$427,680, which is \$17,680, or 4.3 percent more than the reserved amount for only two Supervisorial Districts.

Based on several inquiries from the Budget Analyst's Office regarding the reasonableness of the requested Temporary Salary funds, the Department advises that they could reduce nine of the requested 99 Temporary positions from various

assignments, or an overall nine percent reduction, resulting in a decrease of approximately \$38,880. At a minimum, the Temporary Salary request should therefore be reduced by \$38,880 from \$427,680 to \$388,800.

4. The proposed request includes \$100,000 of expenditures for Overtime, which is based on 133 Temporary staff working approximately a total of 3,604 hours at an average hourly rate of \$27.75. The Budget Analyst questions this level of required Overtime for two Supervisorial Districts, consisting of 127 polling places and notes that a total of \$100,000 was placed on reserve, assuming a run-off election in five Supervisorial Districts, consisting of approximately 290 polling places, such that only 43.8 percent of these polling places will actually be used for the December run off election. The Department does not yet know how much Overtime was expended for the November 5, 2002 election. Based on discussions with the Department, the Budget Analyst recommends a conservative ten percent reduction in Overtime of \$10,000 from \$100,000 to \$90,000.

5. The Mandatory Fringe Benefits should be reduced from \$40,500 to \$33,903, a savings of \$6,597 based on the Temporary Salary (\$38,880) and Overtime (\$10,000) reductions reflected above.

6. Overall, the Department of Elections reserve included \$773,324 for non-personal expenses, including \$190,909 for Other Fees, \$34,670 for Professional Services, \$21,066 for Equipment Rental, \$135,269 for Other Expenses \$238,670 for Materials and Supplies and \$152,740 for the Work Order Services of Other Departments, assuming a run-off election in five Supervisorial Districts. The Department of Elections is now requesting a total of \$735,435 for non-personal expenses, including \$2,350 for Travel, Training and Membership Fees, \$111,950 for Other Fees, \$53,800 for Professional Expenses, \$1,500 for Equipment Maintenance, \$35,260 for Equipment Rent, \$155,400 for Other Expenses, \$184,175 for Materials and Supplies and

\$191,000 for Work Orders for other City Departments. Although the requested release of reserve funds is \$37,889 less than the amount placed on reserve, as noted above, the December 10, 2002 run-off election is only to be conducted in two Supervisorial Districts, rather than the five Supervisorial Districts envisioned when the funds were placed on reserve, and yet the Department is requesting 95.1 percent of the amount placed on reserve.

7. The \$500 for Travel, \$1,500 for Training and \$350 for Membership Dues should be reduced, since none of these are expenses related to the December 10, 2002 run-off election and the Department has existing funds budgeted in its FY 2002-2003 budget including \$2,820 for Travel, \$13,515 for Training and \$2,000 for Membership Dues.

8. As detailed in Attachment II, the Department is proposing to rent 91 vehicles, including two box trucks and 89 Minivans for an overall total of 461 vehicle days at a cost of \$18,940 for the December 10, 2002 run-off election. Ms. Berg advises that various sized trucks are needed prior to and after the election to deliver and pick up the voting machines at each polling site, to shuttle supplies, signs, ballots, mail and equipment to various locations, for the Field Election Deputies (FEDs) on election day as well as the Deputy Sheriffs that would be deployed to pick up the voted ballots after the polls close. The Budget Analyst seriously questions the need for the numerous vehicles identified in Attachment II, and after consultation with the Department regarding the use of such vehicles recommends that the number of vehicles be reduced and the number of days that each vehicle is rented be reduced. Based on the configuration of vehicles agreed to by the Department, the Budget Analyst recommends that the vehicle rental expenses be reduced by \$8,190 from \$18,000 to \$9,810.

9. The December 10, 2002 run off election will require one ballot card, containing one issue, in

each of the two Supervisorial Districts. As shown in Attachment II, the Department anticipates expending \$71,775 to purchase 143,550 ballot cards, at a cost of \$.50 per card. The Department advises that there are approximately 98,000 registered voters in the two Supervisorial Districts. Mr. John Arntz, the Acting Director of the Department of Elections provided a memo dated November 26, 2002, which is included as Attachment III, which summarizes the challenges that occurred in the November 5, 2002 election which required the use of four ballot cards per voter.

10. Based on a more detailed review of the Work Order requests from other City departments, and discussions with the Department of Elections, for the needs for the smaller December 10, 2002 run off election than previously anticipated, the Budget Analyst recommends (1) reducing the Department of Telecommunications and Information Services (DTIS) request by \$10,000 from \$40,000 to \$30,000, (2) reducing the Department of Public Works (DPW) request by \$5,000 from \$15,000 to \$10,000, and (3) reducing the Department of Parking and Traffic (DPT) request by \$10,000 from \$20,000 to \$10,000.

11. Included in the Department of Election's Work Order requests from other City departments is \$85,000 for the Sheriff's Department. However, the Budget Analyst notes that as of the writing of this report, the Department of Elections had not received a plan from the Sheriff's Department regarding the proposed deployment and Sheriff's Department expenses for the December 10, 2002 run off election. However, based on inquiries by the Budget Analyst's Office, the Sheriff's Department provided a projection of their election costs for the December 10, 2002 run off election to the Budget Analyst's Office, which is included as Attachment III. This projection, which includes Sheriff's staffing at the (1) Sheriff's Command Post, (2) Elections Operations Center, (3) Pier 30/32, (4) Mobile Support Units, (5) Memory Pack Collection,

(6) Uplink Site Security, (7) Precinct Security and Ballot Collection, (8) Pier 29, (9) City Hall, (10) Training, (11) Absentee Ballots from Main Post Office and (12) Dismantling Eagle Boxes reflects an estimated cost of \$49,426 of additional Sheriff's Overtime expenses which would be billed to the Department of Elections for the December 10, 2002 election. However, such estimated costs assume that 52 Sheriff's Deputies would be deployed to pick up the voted ballots at the 127 polling sites, or requiring only 2.44 polling places per Deputy. Based on discussions with the Department of Elections, approximately 26 Sheriff's Deputies, or one-half the staffing proposed should be sufficient, thus requiring each Deputy to retrieve the ballots from an average of only 4.88 polling places (127 polling places divided by 26 Deputies). The Budget Analyst notes that this is in addition to the up to 40 Parking Control Officers (PCOs) and six Deputy Sheriff's that would be deployed to collect the data memory packs from each polling site, in order to quickly count the votes.

At the November 5, 2002 election, Proposition G was approved by the San Francisco voters, which stated that the Sheriff shall be responsible for transporting all voted ballots and all other documents or devices used to record votes from the polls to the central counting location (instead of preserving the security and integrity of elections in all matters) and approving a security plan (instead of providing security) for the ballots until the certification of election results. As of the writing of this report, a security plan has not yet been submitted by the Sheriff to the Department of Elections. In the professional judgement of the Budget Analyst, based on the approval of Proposition G, the responsibilities of the Sheriff's Department should be more limited than reflected in the Sheriff's proposed plan that was obtained by the Budget Analyst's Office. As noted above, as of the writing of this report, the Department of Elections has not yet received a plan of the deployment or expenses proposed by the Sheriff's Department for the December 10, 2002 run off

BOARD OF SUPERVISORS
BUDGET ANALYST

election. Therefore, the Budget Analyst recommends that the Work Order funds from the Department of Elections to the Sheriff's Department be reduced from the \$85,000 now being requested to \$40,000, a reduction of \$45,000 to cover the currently anticipated expenses for the December 10, 2002 election. The Budget Analyst also recommends that the Sheriff's Department work more closely with the Department of Elections, the Mayor's Office and the City Attorney's Office to identify the legally required and currently necessary security for future elections.

13. In summary, the Budget Analyst is recommending reductions totaling \$135,252, as follows:

	Amount	Amount Recommended by Budget Analyst	Budget Recommended Savings
	<u>Requested</u>	<u>Budget Analyst</u>	<u>Savings</u>
Temporary Salaries	\$427,680	\$388,800	\$38,880
Overtime	100,000	90,000	10,000
Fringe Benefits	40,500	33,903	6,597
Travel	500	0	500
Training	1,500	0	1,500
Membership Fees	350	0	350
Other Fees	111,950	111,950	0
Professional Services	53,800	53,800	0
Equipment Maintenance	1,500	1,500	0
Equipment Rent	35,260	27,070	8,190
Other Expenses	155,400	155,400	0
Materials & Supplies	184,175	184,175	0
Work Orders	<u>191,000</u>	<u>121,000</u>	<u>70,000</u>
Total	\$1,303,615	\$1,167,598	\$136,017

In addition, as noted above, the original amount of funds placed on reserve was \$1,322,849 for the potential run off election, which is \$19,234 more than the \$1,303,615 now being requested to be released from reserve.

Recommendations: 1. In accordance with Comment No. 13 above, reduce the reserved amount of \$1,322,849 by \$155,251 (\$136,017 plus \$19,234) to \$1,167,598

BOARD OF SUPERVISORS
BUDGET ANALYST

and release the \$1,167,598. This will leave \$155,251 remaining on reserve, which should be returned to the City's General Fund Reserve.

2. Request that the Sheriff's Department work more closely with the Department of Elections, the Mayor's Office and the City Attorney's Office to identify the legally required and currently necessary security for future elections.

Elections 2002 Run-Off Expenditure Budget

There will be a Municipal Run-Off Election held in Supervisorial District 4 and Supervisorial District 8 on Tuesday, December 10, 2002. These two Districts comprise 148 precincts. Of these, one is a mail ballot precinct and 20 are consolidations. There will be 127 polling places as well as an early voting counter in City Hall. Each District requires a unique ballot. Approximately 650 Inspectors/clerks will be required to staff the polls and be on stand-by.

1G AGF AAP - Run-off

Object	Description	Detail	Budget	Actuals
005	Temp Salaries		427,680	
011	Overtime		100,000	
013	MFBs		40,500	
021	Travel - <i>New Law</i>		500	
022	Training - <i>CACEO and New Law</i>		1,500	
024	Membership Dues		350	
026	Other Fees		111,950	
	Poll worker fees and training	95,250		
	Polling place rents - 107 x 100.	12,700		
	Rec and Park	1,000		
	School Board	2,000		
	Library& Churches	1,000		
027	Professional Services		53,800	
	Registration Maps	1,500		
	Software maintenance agreement, DIMS	16,000		
	Temp agency	4,000		
	Translations and layout	3,000		
	Delivery services, poll worker trainers, etc.	2,500		
	Mail House - Ink jetting/carrier sort VIPS	15,000		
	Rosters- precinct unique, 107 triple sets	9,800		
	Ink-Jetting AV Envelopes - 19,000	2,000		
029	Equipment Maintenance		1,500	
	Elevator - 240 Van Ness	1,000		
	Miscellaneous small equipment repair	500		
031	Equipment Rent		35,260	
	Vehicles	18,000		
	Copiers - 2	1,500		
	Copier - additional meter clicks	1,000		
	Election day tents, lighting, etc.	3,375		
	Portable toilets 50 x 60.	2,750		
	Audio Visual/ Media Center	1,235		
	Warehouse Dollies	200		
	Fencing	1,200		
	Computer Rentals - 30	4,500		
	Forklift - Warehouse/Brooks	1,500		
035	Other Expenses		155,400	
	Poll worker manual - 1,500 copies	1,500		

Freight/delivery/overnight/overseas ballots	4,000
AV Ballot postage - 19,000 x 1.10	20,900
AV Ballot return postage 19,000 x 1.00	19,000
VIP postage - 100,000 x .75	75,000
Other postage - bus reply, registrations, poll	20,000
Legal Advertising - <i>Poll Workers, Poll Locations</i>	15,000

040 Materials and Supplies 184,175

Electrical	2,500
Hardware	2,500
Lumber	1,000
Food	1,000
Data processing supplies	5,000
Minor data processing equipment	3,000
Minor furnishings	1,000
Other office supplies	5,000
Ballots - 143,550 cards @ .50	71,775
VIP layout and printing - 150,000 @ .50	75,000
AV Envelopes - 20,000 mailers @ 110/M	2,200
AV Envelopes - 20,000 return envelopes @ 85/M	1,700
AV inserts - 20,000	1,000
Ballot pens	1,500
Other Office/Precinct/Canvass Supplies	10,000

081 Work Orders 191,000

Building Services	20,000
DTIS (12/01 was \$44,000.)	40,000
DPW	15,000
DPT	20,000
Port	1,000
Sheriff's Department	85,000
Repro	10,000

Total 1,303,615

ELECTIONS 2002 RUN-OFF EXPENDITURE BUDGET

005 TEMP SALARIES (\$427,680)

The average Department of Elections temp salary is \$18.50/hr. The run-off election cycle is a minimum of six weeks and includes pre-election preparation, the canvass, and post-election tasks leading to certification. Each temp salary for a run-off election can therefore be budgeted at \$4,320. By law we are required to have Chinese and Spanish language assistance in many of the temp staff assignments listed below.

Temps	Assignment	Task	Budget
6	Poll Locating Precinct Deliveries	Visit potential poll sites. Analyze for ADA compliancy, meet with owners, sign documents. Canvass neighborhoods for relocation sites. Deliver and pick-up election day equipment – booths/tables chairs, eagles. Enter site location and details into DIMS. OT – involves evening and weekend work	25,920
9	Poll Worker Recruitment	Field and phone work. Recruit and interview potential inspectors, clerks, student workers, translators and standby workers. Assign to precincts and training classes. Multiple mailings, database updates, verify voter registration of workers, dispatch, standby workers, verify oath sheets, enter into payroll system, and distribute checks.	38,880
7	Warehouse and Processing Center	Sort, empty, and clean red boxes. Clean, check and repair voting booths, tables, and chairs. Prepare and pack precinct specific materials for distribution to polls and for standby. Pack supply trucks and FED vehicles with precinct specific supplies. Separate and process all materials, supplies and equipment post election. Shrink-wrap, palletize.	30,240
4	Campaign Services	Front line of service to the public including; voters, campaigns, observers, press, applicants. Candidate filing. Fill Sunshine ordinance requests.	17,280
5	Phone Bank	Answer incoming calls in English (2), Chinese (1), Spanish (1) and Russian (1), and handle public requests for voter/election information.	21,600
5	Filing, Copying, Runners, Observer Guides	Sort and File incoming FPPCs (Fair Political Practice Commission) for the state. The DOE is a State depository. Various office duties as assigned, copying, errands, observer guides, badge making.	21,600
6	Logic & Accuracy	Script writing, L&A testing of eagle vote tabulators. Memory pack preparation. Set eagles to election specifics. Meet with members of L&A Board to certify testing results.	25,920
10	Data Entry	Data entry, registration, signature check of absentees and provisionals, merge and purge, voter roll maintenance. Voter mailings.	43,200
10	Assembly	Preparation of precinct specific supplies, ballot inventory, absentee ballot preparation, ballot distribution, AV process, receipt and process of AVs and provisionals, wandong rosters, preparation of election documents for palletization post election.	43,200

Temps	Assignment	Task	Budget
3	MIS	DIMS, database- networking, DIMS queries, reports, command center, results, all MIS needs.	12,960
4	Logistics/Uplink Sites	Plan DPT, Fed and Deputy Sheriff routes. Parking logistics, vehicle dispatching, uplink site logistics, and uplink staffing. Election reports.	17,280
4	Outreach	Community liaisons, information officers, educators. Service community in Chinese, Spanish, and Russian. Work with new voters, recruit community translators, Presentations/booths at community fairs, churches, schools, senior centers, group meetings and clubs.	17,280
1	Payroll	All payroll transactions thru People Soft and TESS - PDF reports.	4,320
1	Admin Asst.	Phones, vehicles, supply ordering, intra-departmental requisitions	4,320
2	Budget & Personnel	Interview, hire, process paperwork through DHR. Separation reports, Budget Preparation, ADPICs, FAMIS. Purchasing, invoice payments.	8,640
1	Drivers	15 2-day hires, = 30 days total or one 6-week period	4,320
1	Secretary	Secretarial support to Administration	4,320
1	Admin Clerk	Class monitor, office support	4,320
1	Information Officer	Assistant to Director, media liaison	4,320
2	Mail Room	USPS Liaison, pick-up mail from Evans Street Postal Facility, sort, separate, deliver. Handle incoming AVs	8,640
1	Supply room	Stock, inventory, shuttle between City Hall, Brooks Hall, 240 Van Ness, Corovan warehouse and Pier 29	4,320
8	Canvassers	16 canvassers for a three-week period. Equivalent to 8 6-week positions. Election 28-day canvass.	34,560
2	Voter Information Pamphlet, Publications	Ballot layout, compile VIP content, proof ballots and VIP, in-house publications and outreach materials, work with printers, mail house and post office reps.	8,640
4	Early Voting Counter	Three weeks, seven days a week at early voting counter (English, Chinese, Russian, Spanish speaking)	17,280
1	FEDS	16 FEDs x 16 hours = 256 hours = 1 6-week position	4,320

O11 OVERTIME (\$100,000)

Poll locators, recruiters, trainers, delivery teams, MIS staff, mail crew, outreach staff, data entry clerks, phone bank personnel, early voting counter staff, AV and precinct ballot assembly teams, warehouse workers, L&A testing teams, Administration, and FEDS all work overtime. The timeframe between a November election and December run-off is so short almost everyone is required to work most weekend and holidays. The voting public expects it, the nature of calendar driven elections demands it and in many cases the California Elections Code mandates schedules. Deadlines for completion are unforgiving. It is not unreasonable to budget \$100,000 in overtime for the 3 weeks leading up to Election Day, Election Day and the three weeks following to certify a run-off election

O13 MANDATORY FRINGE BENEFITS (\$40,500)

As determined by payroll

O21 TRAVEL – CACEO – NEW LAW CONFERENCE. SACRAMENTO (\$500)

Secretary of State, review, presentation of California Elections Code and revised or new election codes. – Three days 6 staff

O22 TRAINING – CACEO – NEW LAW (\$1500)**O24 MEMBERSHIP DUES (\$350)**

California Association of Clerks and Elections Officials - for attendees to New Law Conference.

O26 OTHER FEES (\$111,950)***Poll Worker Fees and Training (\$95,250)***

One inspector and 4 clerks will be recruited, and trained for the 127 polling places on Tuesday, December 10, for a total of 635 election officers. This includes standby workers. Including \$25 for training class, \$25 for pick up of Inspector supplies and ballots, the average stipend per poll worker will be \$150.

Polling Place Rents (\$12,700)

127 polling sites, housing 147 precincts. Polling place payments are \$100 per location

Rec and Park (\$1,000)

Early opening, closing and janitorial services for polls located in Rec and Park facilities. Overtime rates.

San Francisco Unified School Board (\$2,000)

Early opening, closing and janitorial services for polls located in schools. Overtime Rates.

Library (\$1,000)

Early opening, closing and janitorial services for polls located public library facilities. Overtime rates

O27 PROFESSIONAL SERVICES (\$53,800)***Registration Maps: (\$1,500)***

1,000 19" x 24" color precinct maps of the City and County of San Francisco, for distribution to FEDs, Sheriffs, Polling places, campaigns, and front counter in Department of Elections.

Data Information Management System: (\$16,000)

Services to set the election in the system, and maintain software through election certification. Maintenance and back-up support for voter files.

Temp Agency: (\$4,000)

One shift of support labor to assist at processing center, Pier 29 on election night

Translations and Layout: (\$3,000)

Voter Information pamphlet – two versions, Run-off pamphlets for Outreach Staff.

Delivery Services, Poll worker trainers: (\$2,500)

Instructors conduct two hour Inspector and poll worker training classes. They are paid \$75 for each class taught. There will be 25+ classes to accommodate the 700 workers recruited for the run-off election.

Mail House: (\$15,000)

Mailing services for 120,000+ voter information pamphlets. Download files via FTP and convert records to system, perform file pass, select and sort to create 2 separate mailing files. Standardize address to meet USPS regulations with zip code correction. Sort files to best level of USPS first class presort and output sortation reports. Band, tray and prepare USPS documents. Deliver to USPS.

Rosters: (\$9,800)

Three unique sets of precinct specific rosters for 147 precincts. Sections include roster of active voters, list of inactive voters, roster correction form, challenge list, assisted voters list, Rosters printed from Crystal Reports software.

Ink Jetting AVS: (\$2,000)

Inserting the return AV envelope into the outgoing mailer, and ink jetting voter name, address, precinct information and corresponding bar codes onto the approximately 19,000 AV envelopes prior to insertion of ballots.

029 EQUIPMENT MAINTENANCE (\$1,500)

Otis elevator contract for 240 Van Ness: (\$1,000)

Fax repair, decollato/burster repair, time stamp repair: (\$500)

031 EQUIPMENT RENT (\$35,260)

Vehicles: Thrifty Rentals (\$18,000)

Pick-Up	Return	Length of Rental	# Vehicles	Vehicle	Rate	Total Days	Est Total
8-Dec	13-Dec	5	2	15' box	\$90/495	10	\$900
2-Dec	17-Dec	15	16	Mini Van	\$40/280	240	\$9,600
9-Dec	11-Dec	2	8	Mini Van	\$40/280	16	\$640.00
8-Dec	11-Dec	3	65	Mini Van	\$40/280	195	\$7,800

The box trucks are used as supply trucks for polling sites as well as to shuttle supplies as needed from the processing center/warehouse areas to City Hall. The mini vans are staged in increments, the first group being used for polling place locating, signage postings, absentee ballot pick up from the post office, mail drops, shuttling equipment to and from training classes, outreach programs, delivery of inspector supplies, polling place set up election day field support vans, and polling place breakdown. The remainder of the vans are used on Election Day to shuttle inspectors and clerks, for the standby drivers, election center drivers, FEDs and sheriff deputies

Copiers: Xerox (\$1,500)

Copiers are required in satellite areas before, during and following the election. The department has two old copiers, whose lease runs out mid December. We short term rent two additional high volume units, which are shuttled where needed. Included in their use is: result printing on Election Night, the canvass at Brooks Hall, the facility at 240 Van Ness where the assembly team works, and the election command center/standby worker areas.

Copiers: Minolta (\$1,000)

Each election requires vast copying that far exceeds the contracted number of copies on our rental equipment. In addition to our monthly rental we are billed for the extra meter "clicks."

Tents/ Lighting: Abbey Rents/U-Save Equipment Rental (\$3,375)

The staging area for FEDs, Sheriff's Deputies and vehicles is at Pier 30/32. Vehicles are delivered to the Pier the day before an election and retrieved the day following the election. The election night processing center is at Pier 29. Both the FEDs and Sheriff's Deputies return election materials to the processing center. Tower lights/generators are rented to illuminate the pier areas, for security and function. Both areas are up and running by 4:30 am on Election morning and activity continues through the next morning. The election warehouse at Pier 29 is open to the elements and tents are required for shelter. The tent area is used as a sign in area for workers as well as a break area. The 20' x 20' tents are erected the December 9 and dismantled the day following the election. By city contract the tower lights are \$175/daily. Two units go to Pier 29 and 4 units to Pier 30/32. The four units are a two-day rental. Tower Light rental costs are \$1750. Two 20' x 20' tent rentals, including delivery, set-up/strike, lights, permits, and fire extinguishers is \$1625.

Portable Toilets: Golden State Portables (\$2,750)

The owners of many polling locations decline to have inspectors and clerks use their restroom facilities, therefore the department must provide portable toilets at those sites. Port-a-potties are put in place by 5:00 am on election morning and picked up following poll closure. As well portable toilets are delivered to the staging areas, and the elections processing center warehouse. We also have several units on stand-by for Election Day. As of 11/14/02 we have identified placement for 40 units. The portable toilet units are \$55 per rental unit.

Audio- Visual/ Media Center: McCune Audio Visual (\$1,235)

The North Light Court at City Hall is the media center for Election Day and evening. City Hall Media Services do not have the equipment necessary for the press center and results displays. McCune Audio delivers the needed equipment and provides two techs to set up, monitor and strike. Equipment includes screen frame, rear fabric, black dress kit, Sanyo 2100 lumens projector, and media cart.

Warehouse Dollies: Dolly Rentals (\$200)

Heavy Duty handcarts are rented for use at the processing center to unload the vehicles. Dolly rentals provides these for \$5 each for a 24-hour period. We anticipate using 10 handcarts for two days during the run-off election to unload incoming vehicles and move equipment to warehouse processing/storage areas.

Fencing: Anchor Fence (\$1,200)

Ballots are canvassed and processed at Brooks Hall, the basement of Bill Graham Civic Auditorium. As the Public Library and Event Facilities use Brooks Hall for storage, the ballot area must be secured. Fence panels are rented to enclose and secure the ballot processing area.

Computer Rentals: Desktop (\$4,500)

Thirty additional computers are required for the overflow of election work; processing inspectors and clerks, as well as Absentee and Provisional ballots. The computers are also used at workstations for seasonal staff and election specific projects. The rentals include monitors, keyboards, mice and sufficient RAM to handle the department's DIMS (Data Information Management Systems) and Lotus Notes requirements.

Forklifts: U-Save Equipment Rental (\$1,500)

Ballots are delivered on pallets. Forklifts are necessary to unload the delivery trucks as well as move the pallets into place for sorting. The crew at the warehouse/processing center requires a forklift to shift heavy equipment and pallets of supplies, and Brooks Hall requires a forklift to move the pallets of elections materials through the canvass time and to load the materials on trucks to be taken to the secure document storage facility in Alameda. Each unit is \$750/mo.

Poll Worker Manual: (\$1,500)

Each inspector and clerk is provided with a copy of the Poll Worker Manual. Copies are used training sessions, added to the inspector bag, carried with the FED supplies and on hand for standby workers. About 700 inspector and clerks will be trained for the run-off election. Each will be given a copy in class. The remainder of the run will be used as outlined.

Freight/Delivery/overnight express: (\$4,000)

Time driven delivery of absentee ballots, especially to out of state, overseas, or replacement requires the use of overnight or express overseas mail services.

AV Ballot Postage: (\$20,900)

There are approximately 18,553 AV voters in District 4 and District 6. The AV postage is \$1.10 per unit. We are planning for 19,000 mailed AVs.

AV Return Postage: (\$19,000)

The AV return postage account must be infused with enough funds to cover all possible returns. At \$1.00 each the fund needs \$19,000 to allow for all AVs to be returned.

VIP Postage: (\$75,000)

The Voter Information Pamphlet (VIP for the Municipal Run-Off Election is a trilingual presentation. Rather than mail 2 different versions in 3 languages we have determined it will be cost effective to mail 2 versions (District 4 and District 8) with Chinese and Spanish translations on the same piece. The VIPs will be mailed first class in order to meet the time constraints of a December 10, 2002 election. Approximately 100,000 pieces will be mailed at an estimated cost of .75 each.

Other Postage: (\$20,000)

Multiple mailings are generated throughout the election cycle. Included in the Run-off cycle are recruitment letters, confirmation letters and thank-you to inspectors and clerks, confirmation letters to polling place owners, high school outreach mailings, voter registrations, business reply envelopes changes of polling place notifications, polling place advisements.

Legal Advertising: (\$15,000)

Public Notice of polling places locations, poll workers, inspectors at each location. Election announcement and notices of candidates.

040 MATERIALS AND SUPPLIES (\$184,175)***Electrical: (\$2,500)***

Each polling place must be supplied with extension cords, power strips, adaptors, and extra light bulbs. Voting booths require special lamp fixtures. These are tested and replaced prior to delivery of the booths.

Hardware: (\$2,500)

Miscellaneous hardware items are purchased through Cole-Fox. Everything from gaffer's tape, and masking tape for the polls to disposable rain ponchos, box cutter, rags, cleaning supplies for the voting booths and supply bins.

Lumber: (\$1,000)

Masonite and plywood are on hand to even and repair garage floors, uneven entries and minor repairs.

Food: (\$1,000)

Election day runs into an 18 – 24 hour workday for many. FED vehicles are supplied with an apple, water and granola bar for the 4:30 am start, the warehouse workers are provided with drinks and sandwiches. Coffee is kept on hand at the command center.

Data Processing Supplies: (\$5,000)

Labels, label printer cartridges, equipment for the early voter counter. Header cards for precinct ballot sorts through the IV-C machines. Printer ribbons/cartridges for the eagle vote tabulators. Eagle tapes.

Minor Data Processing Equipment: (\$3,000)

Tricoder Wanda unit, replacement cables, label writers.

Minor Furnishings (\$1,000)

Other Office Supplies (\$5,000)

Copy paper, toner cartridges, storage boxes, CDs for voter files, miscellaneous office supplies, and precinct supplies including; pens, glue, tape, note pads, rubber fingers, latex gloves, labels, wipes, magnifying glass, highlighters.

Ballots: (\$71,775)

A total of 143,550 ballot cards, printed in two versions @ .50 each

Voter Information Pamphlet – VIP (\$75,000)

Two versions of a trilingual pamphlet. A total of 150,000 copies @ .50 each

AV Envelopes (\$2,200)

20,000 oversize, two color AV mailing envelopes @ \$110/M

AV Return Envelopes (\$1,700)

20,000 oversize, two color AV return envelope @ \$85/M

AV Inserts (\$1,000)

20,000 trilingual instructions inserts

Ballot Pens (\$1,500)

Optech scannable ballot marking pens @ .50 each

Precinct/Assembly/Canvass Supplies (\$10,000)

Demonstration ballots, security seals, tamper proof ballot bags, badges, patriot signs, no electioneering signage, anti-static memory pack bags, key cords, ADA signage, pen grips, ADA grips, no smoking signage, calculators, ballot seals, plastic sheeting. Etc

081 WORK ORDERS (\$191,000)

Building Services (\$20,000)

240 Van Ness – A weekly charge of \$628.00 for a total of 6 weeks from (11/15/ -12/31/02) - Mon - Fri - 4 hours a day = 20 hrs/per week = **\$3768**. Should an initial clean-up of 240 Van

Ness be necessary (as was the case before) the additional one time cost to do this would be \$628.00 regarding this item.

City Hall - A weekly charge of \$753.00 for a total of 6 weeks from (11/15/02 - 12/31/02) - Mondays - 4 hrs. in the morning & Mon - Fri - 4 hrs each night = 24 hrs/per week = **\$4518.** There is also a charge to refurbish the hallways in the lower level of City Hall damaged or marred by the influx of AV voters and election activity. This includes patching, painting and floor repair. To date the fee has been approximately \$20,000 per election. As the majority of the election process has been moved to 240 Van Ness and Brooks Hall we anticipate a lower charge.

DTIS (\$40,000)

The Department of Elections December 2001 DTIS bill was \$44,000. We have fewer active lines this year; therefore we have estimated a reduced budget.

DPW (\$15,000)

Due to the overlap of a run off following 5 weeks after a General Election the department has separated much of the run-off activity to 240 Van Ness. Security wire has been placed over the windows and doors of that building for a cost of approximately \$5000. DPW also assists in the election process by responding to electioneering signage complaints coming into the election center, and dispatching vehicles and crews to remove signage

DPT (\$20,000)

The estimated charges for DPT, including Overtime is \$20,000. This is in keeping with comparable elections. We also have charges associated with permits for street closures on Election day.

Port (\$1,000)

Lease of pier space to receive delivery of vehicles from Thrifty as well as to groups for pick up following the election. Approximately \$3300 in pier rental space was incurred for the November 5, 2002 election. We are projecting using 2/3 less space for the run-off election.

Sheriffs (\$85,000)

Projection based on preliminary discussion with Chief Vicki Hennessey 11/14/02

Reprographics (\$10,000)

Production of miscellaneous election materials such as ballot custody forms, ballot box seals, memory pack bag seals, parking permits, problem report forms, change of polling place and change of polling place notifications, observer guides, outreach brochures and street indexes.

DEPARTMENT OF ELECTIONS
City and County of San Francisco



JOHN ARNTZ
Acting Director

To: Harvey Rose, Budget Analyst
From: John Arntz, Acting Director, Department of Elections
Re: Ballot Delivery
Date: November 26, 2002

At the request of Debra Newman, I am providing a brief summary of the extraordinary logistical challenges presented by the oversized, four-card ballot used in the November election.

NOVEMBER 2002

The size and weight of the cards drives the logistical planning of all elections. The November 5, 2002 election ballot was an unprecedented four-card ballot that measured 9.5 inches by 20 inches. In order to have an adequate supply of ballots to open the polls, each inspector started the day with 300 ballots - or 1200 individual cards. Each box of 300 cards weighed 22 pounds. Four boxes, one with each of the four ballot cards, weighed 88 pounds. We determined that 88 pounds of cards was the maximum reasonable weight we could ask inspectors to transport to the precincts, in addition to carrying other precinct supplies.

Department personnel assembled the 88-pound ballot bags for each of the inspectors. We held inspector-training classes in an offsite location, requiring us to transport hundreds of 88-pound bags to these classes for the inspectors to take home. On the morning of the election, the inspectors, regardless of physical ability or mode of transportation, hauled their load of ballots to their assigned polling place.

In keeping with California Elections Code section 14102 the department ordered in excess of the number of ballots required by law, and planned and scheduled deliveries of those ballots to the polling places throughout the day. The Department monitored ballot supply and delivered additional ballots as needed throughout election day. For precincts with large numbers of registered voters, the Department instructed the Field Election Deputy (FED) to automatically deliver additional ballots before noon to these precincts. In addition, the Department monitored voter turnout by tracking the number of ballot cards placed through each precincts' optical scanning machines ("eagles"). Based on this information the Department instructed FEDs to deliver additional ballots to nearly 50 precincts. In addition to their scheduled route drops, FEDs delivered extra ballot cards to precincts that had exceptionally high turnouts in the 2000 presidential election. Further, the Department staged generic cards in supply vans stationed in each supervisorial district and the Department directed the van drivers to also deliver cards to polling places.

The unparalleled size and complexity of San Francisco's ballot resulted in more than 50,000 "spoiled" ballots compared to approximately 4,000 in the November 2001 election. The number of cards offered more opportunity for voters to make stray marks or to inadvertently complete the incorrect arrow. The large number of spoiled cards contributed to inspectors calling the Department requesting more cards beyond additional cards the Department planned to and did deliver throughout election day. The department responded to these calls. Once voting ended, poll workers assembled the voted and unvoted ballots, and deputy sheriffs transported them to our central collection point on Pier 29. For November, 100 deputy sheriffs collected the ballots from the polling places, with each deputy responsible for a minimum of six precincts. For the sake of security, the ballots were sealed in large bags. This meant that the deputies picked up and transported bags containing all of the ballot cards for the precinct- including the initial allotment of 300 and all additionally delivered ballots - weighing at the least 118 pounds.

DECEMBER 2002

The ballot for the run-off will consist of one 7 inch by 12 inch card. The small size and weight of the ballot simplifies the logistics for getting cards to the polling places. Poll workers will need to carry less than thirty pounds when taking 900 ballots to their polling site. The Department will be able to distribute to poll workers, in advance of election day, sufficient cards to meet all voting needs. To give poll workers 900 ballots for the November election would have meant providing them with 12 boxes of cards, weighing a total of 264 pounds.

We will stage the cards and supplies for each precinct at our 240 Van Ness location for the poll workers to pick up after their training classes. With a one-card, one-contest ballot versus November's four-card, 60-choice ballot, the spoilage rate will be minimal. When the FEDs and deputies retrieve cards at the close of polls, a 900-card bundle weighing less than 30 pounds presents fewer concerns regarding the physical moving of the cards than in November. The light one-card ballot also presents fewer logistical challenges for our processing center personnel on Pier 29.

The FEDs will monitor the actual number of cards remaining at each precinct instead of reading the number of cards placed through the eagle machines. This will establish the practice of the Department tracking not only the number of voters per precinct during the day, but the number of cards that voters are spoiling.

During the December 10, 2002 run-off, the FEDs will monitor the precincts throughout election day until all polls are closed. In November, the FED territories were taken over by the Sheriff's deputies around 5 PM. Due to Prop E, the Sheriff's Office did not want its deputies to hold the responsibility of carrying unvoted ballots or to have FEDs ride with them. Thus, the FEDs left their territories and transferred the use of their vans to the deputies. Some poll workers called the FEDs for cards, and did not immediately call the Department, causing a delay in communicating the need for cards. Since operational redundancy is a necessity in overseeing elections, the FEDs will serve their precincts the entire day, and will also have deputies ride with them to close the polling places.

DECEMBER 10, 2002 RUN-OFF ELECTION COSTS - SHERIFF									
		BIW	Detailed Hour	OT Hour	Detailed \$	OT \$	Total \$		
8304 Deputy		\$2,472	\$ 30.90	\$ 46.35					
8306 Sr. Deputy		\$2,739	\$ 34.24	\$ 51.38					
8308 Sergeant		\$3,020	\$ 37.75	\$ 56.83					
8310 Lieutenant		\$3,482	\$ 43.28	\$ 64.91					
8312 Captain		\$3,970	\$ 49.63	\$ 74.44					
8314 Chief Deputy		\$4,377	\$ 54.71	\$ 82.07					
1. Sheriff's Command Post: Beginning in the early hours of December 10th and through the early hours of December 11th the Sheriff's Department will have staff actively engaged in providing security to the election process. At one point, it is anticipated that we will have over 75 deputies dispatched to various locations. It is essential that we have a command post that can direct and coordinate our operation with our staff as well as with the Department of Elections and the Department of Parking and Traffic. Command Staff are necessary to direct all action from this central location. Deputy staff will be engaged in "tactical communications" using radios, cell phones, hard wire phones and documenting calls, as well as keeping track of our units in the field. The Command Post, located at the DOE Operation Center, will begin operating at the same time the Sheriff's DOC is activated. We will be enhancing the communication between the Command Posts for this election. Our experience with the last election taught us to fill all these positions.									
Beginning at 0500 Hours December 10th and ending December 11th at 0100 Hours									
One 8314 Chief Deputy for one 10 hour shift				10	547				
Two 8312 Captain for one 10 hour shift				20	893				
One 8310 Lieutenant for each of two 10 hour shifts (0500-1500; 1500-0100)				20	886				
One 8308 Sergeant for each of two 10 hour shifts (0500-1500; 1500-0100)				20	755				
Three 8304 Deputy Sheriffs from (0500-1500 hours)				30	927				
Five 8304 Deputy Sheriffs from (1500-0100 hours)				50	1,545				
2. Department of Elections Operation Center: In order to ensure communication between our department and the Department of Elections, we will have a captain at the DOE Operations Center during its activation. It is anticipated that the activation could be for up to 24 hours. It is necessary to have a person of rank who can make decisions and ensure information is exchanged.									
Beginning at 0500 Hours on December 10th and ending December 11th at 0100 Hours									
Two 8312 Captains x 10 Hours				20	993				
Two 8310 Lieutenants X 10 hours - relief and additional duties				20	866				
3. Pier 30/32 :Staging Area for DOE and Sheriff's Department. We are anticipating combining our staging of equipment and vehicles for the December election with the DOE at Pier 30/32. The Sheriff would be on site the day before the election to receive items and secure them. This would also serve as a staff reporting area for DOE workers and Sheriff's Deputies. At the conclusion of the election, Sheriff's staff would ensure that all items are secured, picked up by the appropriate vendor or returned. This change was recommended in the After Action Report.									
Beginning at 0700 hours on December 9th and ending at 1500 hours on December 11th.									
December 9th 0700 hours to 1500 hours									
One 8310 Sheriff's Lieutenant				8	346			348	
One 8308 Sheriff's Senior Deputy				8	274			274	
Three 8304 Deputy Sheriffs				24	742			742	
December 9th 1500 Hours to 2300 Hours									
Two 8304 Deputy Sheriffs - STU				16	494			494	
December 10th 2300 Hours to 0700 Hours									

DECEMBER 10, 2002 RUN-OFF ELECTION COSTS - SHERIFF					
	B/W	Detailed Hour	OT Hour	Detailed \$	OT \$
One 8304 Deputy Sheriffs			8		371
December 10th 0500 Hours to 1500 Hours					
One 8310 Sheriff's Lieutenant			8	346	130
Two 8306 Senior Deputies		16	4	548	205
Three 8304 Deputy Sheriffs		24	6	742	278
December 10th 1500 Hours to 0100Hours					
One 8310 Sheriff's Lieutenant			8	346	130
Two 8306 Senior Deputies		16	4	548	205
Four 8304 Deputy Sheriffs		32	8	989	371
December 11th 2300 Hours to 0700 Hours					
Two 8304 Deputy Sheriffs			18	-	742
December 11th, 0700 Hours to 1500 Hours					
Three 8304 Deputy Sheriffs		24		742	-
4. Mobile Support Units: During the morning and evening hours, we will have three teams of two deputies each who have been trained in poll procedure, uplink procedure and FED procedures assigned to various areas of the City. They will be available to respond when directed by the Command Post. They may be necessary to respond to problems at the polls, pick up memory packs or assist in transferring ballots. Those units were used to their full capacity in the November election. They rescued lost ballots, kept order at polling places and prevented electioneering within 100 feet of polling places.					
Beginning at 0800 Hours on December 10th and ending December 11th at 0100 Hours					
One 8308 Sergeant for each of two 10 hour shifts (0800-1800, 1500-0100)		16	4	604	227
One 8306 Senior Deputies for each of two 10 hour shifts		18	4	548	205
Two 8304 Deputy Sheriffs from 0600-1800 hours		18	4	494	185
Four 8304 Deputy Sheriffs from 1500-0100 hours		32	8	089	371
5. Memory Pack Collection: The Sheriff's staff will utilize up to 40 parking control officers and 6 deputy sheriffs to collect data memory packs from the precincts. Sheriff's staff will work with DPT and the DOE to train and organize routes for each officer engaged in the collection of the packs. Deputy Sheriffs and parking control officers will work approximately four hours each while engaged in this activity. This arrangement worked extremely well on November 5th and the vote was in and counted the earliest ever. It is essential that the DPT be under the direction of the Sheriff's staff and that the money for DPT be included in the DOE election budget.					
Beginning December 10th at 1800 Hours ending at 2200 Hours					
6 8304 Deputy sheriffs x 4 hours each			24	-	1,112
8. Uplink Site Security: Deputy Sheriffs will provide security at two Uplink Sites around the City. They will coordinate the PCOs assigned to each of their uplink sites as well as the collection and downloading of the memory packs.					
December 10th from 1000 Hours to 2400 Hours					
Two 8306 Sr. Deputies x 8 hours		16		548	-
Two 8304 Deputy Sheriffs x 8 hours		16		494	-

SAN FRANCISCO SHERIFF'S DEPARTMENT
1000 Market Street
San Francisco, CA 94102
December 10, 2002

DECEMBER 10, 2002 RUN-OFF ELECTION COSTS - SHERIFF					
7. Precinct Security and Ballot Collection: Deputy Sheriffs will work as Field Election Deputies for the latter half of election day. Per Prop E mandates, it is essential that deputy sheriffs pick up the voted ballots at the end of the election and deliver them to the central county location. 52 deputies will be designated to begin work in the late afternoon, relieving the FEDs who began work at 0600 hours. The deputies will then perform the FED duties and close out the polls assigned to him/her. The high number of deputies is required due to the fact the polls will close very quickly given there is only one item on each ballot.					
Hours will be from 1600 to 2400 Hours					
2 8308 Sergeants x 8 Hours	16				
50 8304 Deputy Sheriffs x 8 Hours	200				
NOTE: The Sheriff has agreed to absorb the detailed hours estimated at a cost of \$0,622					
8. Pier 29 Security: rPier 29 has once again been designated as the central county location for the collection of the ballots. Activity begins the night before the election in organizing and setting up the processing area as well as storing equipment required for the election. As ballots are collected from the precincts they will be delivered to this site to await processing. This process consists of more than 50 vehicles lining up to drop off all ballots, voted and unvoted as well as all polling place supplies. Some aspects of ballot processing will begin immediately as the red boxes are opened and the contents are sorted. It is anticipated that voted ballots will be present at this site until December 12th. The public will also have access to observe the processing of the ballots at this site. The Sheriff's Department is responsible for the security of all ballots at this site.					
Beginning December 10th at 0500 Hours until ballots are moved for canvassing.					
12/10/02 0500 to 1500 1 8308 Sheriff's Sergeant	8	2	302	113	415
12/10/02 0500 to 1500 2 8304 Deputy Sheriffs	16	4	494	185	680
12/10/02 to 12/11/02 1500 to 0100 1 8310 Lieutenant	8	2	346	130	476
12/10/02 to 12/11/02 1500 to 0100 1 8308 Sergeant	8	2	302	113	415
12/11/02 to 12/11/02 1600 to 2400 six 8304 Deputy Sheriffs				2,225	2,225
12/11/02 and 12/12/02 2300 hours to 0700 hours 2 8304 Deputy Sheriffs	32	32	-	1,483	1,483
12/11/02 and 12/12/02 0700 hours to 1500 hours 2 8304 Deputy Sheriffs	32	32	-	1,483	1,483
12/11/02 1500 to 2300 hours 2 8304 Deputy Sheriffs	16	16	-	742	742
9. City Hall - Enhanced Security: Deputy Sheriffs will provide security for extended hours at City Hall for voter registration, absentee voting and storage and processing of absentee ballots in the DOE area. In addition, the deputy sheriffs will be providing security as the public views the election process and will escort ballots as they are received from the printer, stored and voted upon at the absentee voting site located adjacent to the DOE office. The absentee ballots at this location consist of those stored for use by the absentee polling site and the voted absentee ballots. These will be stored and will be transferred to the DOE offices for processing prior to Election Day. Processing in this area will continue on Election Day and after. It is anticipated that increased security in this area will be required for some time. Our staffing of security will be based on the activity level and our perceived need for security. The best estimate follows and is based on our experience with the November election.					
Additional Security for City Hall on two Saturdays prior to December 10th for extended hours to facilitate absentee voting in the basement of City Hall from 1000 Hours to 1600 Hours.					
One 8304 deputy sheriff x 6 hours x 2 shifts	12		-	556	556

DECEMBER 10, 2002 RUN-OFF ELECTION COSTS - SHERIFF					
Department of Elections security of absentee ballots, polling site, storage areas and pre-election processing of voted absentee ballots beginning November 16th at 0700 hours until December 10th at 0700 Hours.	B/W	Detailed Hour	OT Hour	Detailed \$	OT \$
Day Watch - One 8304 deputy sheriffs					
Swing Watch - One 8304 deputy sheriff (beginning 12/02-12/09)					
Midnight Watch - On duty CHSU staff					
Combination of one - two 8304 deputy sheriffs x 8 hour x 14 days			184	-	8,528
Election Day Security					
Beginning December 10th at 0700 Hours and ending at 0700 Hours December 11th					
0700 - 1700 Hours - Four 8304 deputy sheriffs		32	8	989	371
1900 - 0700 Hours - One 8304 deputy sheriffs		12		371	-
1600 - 0200 Hours - Three 8304 deputy sheriffs		24	6	742	278
Post Election Day -					
Beginning December 11th at 0700 Hours and ending at 1500 Hours December 13th					
Day Watch - Two 8304 deputy sheriffs					
Swing Watch - One 8304 deputy sheriffs					
Midnight Watch - On duty CHSU staff					
Combination of one - two 8304 deputy sheriffs x 8 hours			56	-	2,596
Security for Brooks Hall - Canvassing					
Beginning December 12th at 1500 hours and ending at 1500 hours December 23rd					
Daywatch - One 8304 deputy sheriff			88	-	4,079
Swing Watch - One 8304 deputy sheriff			88	-	4,079
Midnight Watch - One 8304 deputy sheriff			88	-	4,079
10. Training SFSD Staff: absorbed by SFSD in November election -- additional training not required.					
11 Absentee Ballot Collection from Main Post Office: Once absentee ballots are returned from voters, they become voted ballots. We will work with the DOE to insure they are securely transported from the Main Post Office if necessary. This will be accomplished through the use of on-duty personnel.					
12. Security for Dismantling of Eagle Boxes: Due to the design of the Eagle Boxes, used to collect votes at each polling location, ballots are sometimes left in one of the compartments. A deputy will be present during the dismantling of each box to insure					
December 11th and 12th 1500 to 2000 hours		10			
One 8304 deputy sheriff x 5 hours x 2 shifts				309	-
309					
TOTAL HOURS & SALARY COSTS				21,136	44,842
58,490					
POST Pay					
Night Differential (between 1600 and 2300)	8.00%			1,268	
Night Differential (between 2300 and 0700)	8.50%			599	1,271
Retirement (City Share)	10.00%			705	1,495
Retirement Pick-up (DSA)	5.140%			1,087	1,087
6.25%				1,321	1,321

SAN FRANCISCO SHERIFF'S DEPARTMENT
 Proposed Budget
 December 10, 2002

DECEMBER 10, 2002 RUN-OFF ELECTION COSTS - SHERIFF						
	BIW	Detailed Hour	OT Hour	Detailed \$	OT \$	Total \$
Medicare	1.45%			307	650	957
Unemployment Insurance	0.100%			21	45	68
Total Fringe Benefits				5,307	3,460	8,767
Subtotal Compensation				26,445	48,303	67,258
Meals (140 meals x 7.25 a meal + 88.00 Tax)				-	1,123	1,123
TOTAL ESTIMATED COSTS FOR DECEMBER 10 ELECTION				26,445	49,426	68,381
NOTE: Detailed hours are costs exclusively attributable to the election, but are performed by staff reassigned from their regular duties, so detailed costs are already a part of the Sheriff's base budget and not billed to Elections. The only costs billed to Elections are the overtime hours and meals.						
					Bill to Elections	

Item 7 – File 02-1796

Department: Port

Item: Resolution approving the Controller's certification that Port Area Security Services for the Port of San Francisco can continue to be practically performed by a private contractor at a lower cost than if the work were performed by City employees at budgeted levels¹.

Services to be Performed: Security services at Port facilities

Description: Charter Section 10.104.15 provides that the City may contract with private firms for services which had been performed by City employees if the Controller certifies and the Board of Supervisors concurs that such services can in fact be performed by private firms at a lower cost than similar work performed by employees of the City and County.

The Controller has determined that contracting for security services at the Port facilities for FY 2002-2003 would result in the following estimated savings:

	Lowest Salary Step	Highest Salary Step
<u>City Operated Service Costs</u>		
Salaries	\$566,878	\$674,635
Mandatory Fringe Benefits	<u>148,652</u>	<u>162,450</u>
Total City Cost	\$715,531*	\$837,085
 <u>Contractual Services Costs</u>	 <u>437,878</u>	 <u>439,388</u>
 <u>Estimated Savings</u>	 \$277,653	 \$397,697
*Rounding		

¹ Deputy City Attorney Noreen Ambrose advises that the above language will be submitted by the Port as substitute language to the language contained in the existing resolution. However, as of the writing of this report the substitute language has not been submitted to the Finance Committee.

Comments:

1. According to Ms. Denise Martinez of the Port, Port security services are provided at various Port facilities. According to Ms. Martinez, such services include (a) weekday business-hours patrol of the Ferry Plaza area, (b) at least four nightly patrols along the Port's 7.5 miles of waterfront, (c) swing and graveyard shift patrols at Fisherman's Wharf/Hyde Street Harbor and (d) patrolling of Piers 48 and 50 during nights, weekends and holidays. In addition, Ms. Martinez reports that services are provided for after-hours Port meetings, patrol of Port facilities during Waterfront events and guarding of facilities when security devices are damaged.

2. According to Ms. Martinez, the security guard services for the Port facilities have been contracted out since 1976. However, Ms. Martinez indicates that, to her knowledge, the most recent resolution for certification of private contracting for Port area security services as required under the provisions of Charter Section 10.104.15 was submitted to the Board of Supervisors in 1995. Ms. Martinez further indicates that since 1996 Port staff inadvertently failed to request certification from the Controller's Office. Mr. Joe Matranga of the Controller's Office advises that the Controller's Office has not received a request for certification of this contract under Charter Section 10.104.15 from the Port since 1995.

3. Mr. Matranga states that the Contractual Services Costs used for the purpose of analysis is an estimate of the total number of security guard service hours of 23,575 that the Port anticipates using in FY 2002-2003 multiplied by the Contractor's estimated hourly rate of \$18.25, plus an estimated \$7,634 to \$9,144 for Port staff contract monitoring costs.

4. According to Ms. Violet Lee-Fong of the Purchasing Division of the Office of Contract Administration, the security guard services for the Port are currently being provided by McCoy Patrol Service. Ms. Lee-Fong states that the original contract with McCoy Patrol Service expired on May 31, 1997 and the contract has been extended six times since that date. However, Ms. Lee-Fong advises that from January 1, 2001 to December 31, 2001 McCoy Patrol Service continued to provide Port area security services without a formal contract extension. Ms.

Memo to Finance Committee
December 4, Finance Committee Meeting

Lee-Fong also states that since January 1, 2002 the contract with McCoy Patrol Service has been on a month-to-month basis.

Ms. Lee-Fong states that an Invitations for Bids to provide these services was issued on July 10, 2002. Ms. Lee-Fong reports that competitive bid submissions for the Port security services contract were accepted up until September 16, 2002. Ms. Lee-Fong also reports that selection of a contractor is now in process and a bidder is expected to be selected by approximately December 15, 2002. Ms. Lee-Fong advises that the new contract period will span a two-year period, with the option to renew the contract for a third year.

5. The Controller's supplemental questionnaire with the Department's responses is attached to this report.

Recommendation: Approve the proposed resolution.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Port of San Francisco

CONTRACT SERVICES: Security Guard Services

CONTRACT PERIOD: _____

- (1) Who performed the activity/service prior to contracting out?

Unknown the Port has contracted for services since 1976. No records exist as to whether or how services were provided prior the that date

- (2) How many City employees were laid off as a result of contracting out?

Unknown

- (3) Explain the disposition of employees if they were not laid off.

N/A

- (4) What percentage of City employees' time is spent of services to be contracted out?

None

- (5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

Since 1976. This will be a ongoing request.

- (6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

- (7) How-will the services meet the goals of your MBE/WBE Action Plan?

Current contractor is an MBE. Contract is in bid process, which includes bid preference discounts under Administrative Code Chapter 120.A

- (8) Does the proposed contractor provide health insurance for its employees?

Current contractor provides health insurance. New contractor is required to meet HCAO requirements.

- (9) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance?

Current Contractor does not provide benefits to spouses. Contract bid requires submitted Chapter 12B compliance forms

- (10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

Current contractor meets requirements. New contract contains MCO requirement

Department Representative: Denise Martinez

Telephone Number: 274-0521

Item 8 – File 02-1836

Department: Juvenile Probation

Item: Resolution concurring with the Controller's certification that intake and shelter services for status offenders can continue to be practically performed by a private contractor for lower cost than similar services performed by City and County employees.

Services to be Performed: Shelter and intake services for status offenders

Description: Charter Section 10.104.15 provides that the City may contract with private firms for services, if the Controller certifies, and the Board of Supervisors concurs, that such services can be practically performed by private firms at a lower cost than similar work by City and County employees.

The Controller has determined that contracting for the shelter and intake services for status youth offenders for FY 2002-03 would result in estimated savings as follows:

	<u>Low</u>	<u>High</u>
<u>City Operated Service Costs</u>		
Salaries	\$815,296	\$996,354
Fringe Benefits	<u>234,841</u>	<u>262,289</u>
Total City Cost	\$1,050,137	\$1,258,644*
 <u>Contractual Services Costs</u>	 <u>769,968</u>	 <u>795,902</u>
 <u>Estimated Savings</u>	 \$280,169	 \$462,742

*Rounded

Comments:

1. Mr. Lonnie Holmes of the Juvenile Probation Department reports that the Juvenile Probation Department first entered into a contract with Huckleberry Youth Programs (formerly known as Youth Advocates, Inc.) in 1984 to provide a community-based central receiving facility for status offenders. According to Mr. Holmes status offenders are youth who have run away

BOARD OF SUPERVISORS
BUDGET ANALYST

from home, have a history of truancy, or are in other ways out of their parents' control, but who are not in the criminal justice system. Mr. Holmes advises that prior to the contract with Huckleberry Youth Programs to provide the community-based central receiving facility services, such status offenders were retained in Juvenile Hall.

According to Mr. Holmes, in 1989 the Juvenile Probation Department expanded the services provided under the contract with Huckleberry Youth Programs to include intake and shelter services for status offenders. Mr. Holmes reports that Huckleberry Youth Programs currently provides a 24-hour short-stay shelter and needs assessment for youth, with the goal of reuniting youth with their family or providing appropriate longer-term placement.

2. Mr. Holmes reports that the Department first entered into a contract to provide a central receiving facility for status offenders in 1984, the year in which the central receiving facility was first certified under Charter Section 10.104.15. The expanded intake and shelter services contract was first certified by the Controller under Charter Section 10.104.15 in 1989, and intake and shelter services have been continuously provided under the outside contract since then.

3. The Contractual Services Costs used for the purpose of this analysis are based on the Juvenile Probation Department's estimate of the FY 2002-2003 contractual costs for intake and shelter services for status offenders, including the salary and fringe benefits of 1.0 FTE 8444 Deputy Probation Officer responsible for monitoring the contract.

4. The Controller's supplemental questionnaire with the Juvenile Probation Department's responses is shown in the attachment to this report.

Recommendation: Approve the proposed resolution.

CHARTER 10.104.15 (PROPOSITION J) QUESTIONNAIRE

DEPARTMENT: Juvenile Probation Department

CONTRACT SERVICES: Status Offender Services

CONTRACT PERIOD: July 1, 2002 to June 30, 2003

- (1) Who performed the activity/service prior to contracting out?

The Juvenile Hall Counselors: 3-8315 Assistant Counselors 7-8320 Counselors,
1-8316 Counselor II

- (2) How many City employees were laid off as a result of contracting out?

None. Eleven (11) positions were cut from the Budget. No permanent staff were laid off

- (3) Explain the disposition of employees if they were not laid off.

No permanent employees were laid off.

- (4) What percentage of City employees' time is spent on services to be contracted out?

50%	of 1-8414 Supervising Probation Officer	100%	of 2-8318 Counselor II
100%	of 1-8442 Senior Probation Officer	100%	of 14-8320 Counselor
100%	of 3-8440 Probation Officer		

- (5) How long have the services been contracted out? Is this likely to be a one-time or an ongoing request for contracting out?

The contract with Huckleberry Youth Programs, Inc., for a central receiving facility was first entered into by the Juvenile Probation Department February 1, 1984. The contract expanded to include shelter and intake for status offenders on April 1, 1988. This agreement is on-going and the Department expects to continue to contract these services out.

- (6) What was the first fiscal year for a Proposition J certification? Has it been certified for each subsequent year?

The first year for the central receiving contract was fiscal year 1983/84. The first year for the expanded contract was fiscal year 1988/89. This contract has been renewed each subsequent year.

- (7) How will the services meet the goals of your MBE/WBE Action Plan?

Huckleberry Youth Programs, Inc. is a non-profit agency therefore, it does not fall within purview of MBE/WBE goals. Extensive outreach was accomplished at the Request for Qualification when the Department was seeking potential MBE/WBE providers.

- (8) Does the proposed contractor provide health insurance for its employees?

Yes. The contractors provides health benefits to all it's employees.

- (5) Does the proposed contractor provide benefits to employees with spouses? If so, are the same benefits provided to employees with domestic partners? If not, how does the proposed contractor comply with the Domestic Partners ordinance? This contractor is in compliance with all city mandates regarding benefits to employees, spouses and domestic partners.

- (10) Does the proposed contractor pay meet the provisions of the Minimum Compensation Ordinance?

This contractor is in compliance with the City's Minimum compensation Ordinance.

Department Representative: Lonnie S. Holmes

Telephone Number: 415-753-7852

Item 9 - File 02-1839

Department: Redevelopment Agency

Item: Resolution approving an amendment to the budget of the Redevelopment Agency of the City and County of San Francisco for Fiscal Year 2002-2003 by (a) increasing the Redevelopment Agency's Expenditure Authority in an amount not to exceed \$43,100,000; (b) authorizing the Redevelopment Agency's issuance of Tax Allocation Bonds, in one or more series, each in either variable or fixed rate mode, in an amount not to exceed \$43,100,000; (c) authorizing the Redevelopment Agency's receipt of additional tax increment monies necessary to repay the principal and interest on said bonds; and (d) approving a Cooperation and Tax Increment Reimbursement Agreement¹ between the City and the Redevelopment Agency with respect to the Yerba Buena Center Redevelopment Project Area.

Amount: Not to exceed \$43,100,000

Source of Funds: Tax Allocation Bonds

Description: Under the proposed resolution, (a) the Redevelopment Agency would issue Tax Allocation Bonds in an amount not to exceed \$43,100,000, to finance improvements at Jessie Square, including construction of the Jessie Square open space, the Jessie Square Parking Garage, and improvement to the substructures and the foundations of the proposed Mexican Museum and Magnes Museum as part of the Redevelopment Agency's Yerba Buena Center Redevelopment Project Area; (b) increase the Redevelopment Agency's expenditure authority for the FY 2002-2003 budget in an amount not to exceed \$43,100,000; (c) approve authorization of the Redevelopment Agency's receipt of additional tax increment revenues necessary to repay the principal and interest on the Tax Allocation Bonds commencing in FY 2004-2005; and (d) approve a Cooperation and Tax

¹ Approval of the proposed resolution would create a Cooperation and Tax Increment Reimbursement Agreement between the Redevelopment Agency and the City. This agreement sets obligations regarding the use of the Jessie Square Parking Garage revenues and repayment of tax increment revenues.

Increment Reimbursement Agreement between the City and the Redevelopment Agency with respect to the Yerba Buena Center Redevelopment Project Area.

The Redevelopment Agency's authority to issue the proposed \$43,100,000 in Tax Allocation Bonds comes from Article XVI, Section 16 of the California Constitution and Sections 33640 and 33670 of the California Health and Safety Code (the Community Redevelopment Law). Under Sections 33640 and 33670 of the Community Redevelopment Law, the Redevelopment Agency is authorized to issue Tax Allocation Bonds to pay for the cost of financing construction of improvements for its redevelopment projects.

According to Mr. Mario Menchini of the Redevelopment Agency, the general provisions of the sale of the Tax Allocation Bonds would be as follows: (a) the sale of the first series bonds is tentatively scheduled for February 28, 2003; (b) the sale of the second series bonds is tentatively scheduled for March 14, 2003; (c) the bonds would be issued at a fixed interest rate not to exceed 8.0 percent; and (d) the final maturity date of the subject bonds will be August 1, 2018.

The subject Tax Allocation Bonds would be used to partially fund construction of Jessie Square, a new Jessie Square Parking Garage, and construction of the foundations of the proposed Mexican Museum and the proposed Magnes Museum. Jessie Square, on block CB-1 (Assessor's Block 3706), is located on the north side of Mission Street, between Third and Fourth Streets. The proposed project includes construction of a 161,600 square feet underground parking garage, with approximately 450 parking spaces. The proposed underground parking garage would be partially under (a) the proposed Mexican Museum, (b) the proposed Magnes Museum, and (c) the Jessie Square open space facing Mission Street. The proposed Jessie Square Garage, a four level underground parking garage, would contain approximately 450 parking spaces, of which 65 to 70 parking spaces will be leased by the developer, Millennium Partners, for 30 years (See Comment No. 5)

Improvements to the Yerba Buena Center Redevelopment Area, which will include Jessie Square, include pedestrian-oriented gardens, cultural, recreational, convention and retail attractions. The design of Jessie Square open space includes pedestrian linkages to Yerba Buena Lane and Third Street, as well as access to the Magnes Museum, the Mexican Museum, and St. Patrick's Church. The proposed improvements include stone paving, performance areas, fixed and café style seating, trees, lighting, and an artist-designed water feature. The proposed project also includes reinforcement and improvements to the substructures of the Magnes Museum and the Mexican Museum, since part of the proposed Jessie Square Garage will be located below the museums.

The total estimated project costs will be \$42,309,624, as shown in Attachment I, provided by the Redevelopment Agency. In addition to the \$34,900,000 in construction fund proceeds from the Tax Allocation Bonds, the balance of the total project cost of \$7,409,624 (\$42,309,624 less bond financing of \$34,900,000) for the proposed Jessie Square Garage and improvements will be financed in the following manner: (a) \$4,529,624 from the sale of Transferable Development Rights (TDR) (see Attachment II) of the Jessie Square Substation and the historic Planters Hotel; (b) \$380,000 from proceeds from the sale of Redevelopment Agency land to the Magnes Museum; and (c) \$2,500,000 in developer equity. Attachment II is a memorandum provided by the Redevelopment Agency that explains how the sale of Transferable Development Rights would provide monies for the proposed project. According to Mr. Carney, the \$4,529,624 in TDRs will be provided from the following sources (a) \$3,420,000 from the sale of TDR to Millennium Partners from the historic Jessie Square Substation Building owned by the Redevelopment Agency, (b) \$629,624 from an additional sale of Jessie Square Substation TDR to Millennium Partners; and (c) \$480,000 would be from the sale, by Millennium Partners, of TDR from the historic Planters Hotel; such TDR have been donated by the owner of the Planters Hotel, located at 600 Folsom Street, to the Magnes Museum which has agreed to convey the TDR to the Redevelopment Agency for this purpose. (See Comment No. 3).

BOARD OF SUPERVISORS
BUDGET ANALYST

The proposed resolution would authorize approval of a Cooperation and Tax Increment Reimbursement Agreement between the City and the Redevelopment Agency. The Cooperation and Tax Increment Reimbursement Agreement obligates the Redevelopment Agency to reimburse the City for all tax increment revenues which would be used to pay the debt service of the Tax Allocation Bonds. Under the terms of the proposed Cooperation and Tax Increment Reimbursement Agreement, the Redevelopment Agency will establish a separate "Garage Fund" where all parking revenues from the Jessie Square Garage will be deposited. The Redevelopment Agency will use a combination of parking revenues from the proposed garage and Parking Tax revenues from the proposed garage to reimburse the City's General Fund (See Comment No. 1).

Budget:

Attachment I, provided by the Redevelopment Agency, includes a summary budget, which identifies both the revenue sources and expenditures for the proposed project. As previously noted, total project costs are \$42,309,624, including \$15,241,105 for the Jessie Square improvements and \$27,068,519 for the Jessie Square Parking Garage, as shown in Attachment I. Attachment I also contains funding (budget) sources for the proposed project expenditures of \$42,309,624. According to Mr. Bill Carney of the Redevelopment Agency, the reason the issuance of the Tax Allocation Bonds is not to exceed \$43,100,000, or \$790,376 more than the estimated total project cost of \$42,309,624, is because the Redevelopment Agency wanted to maintain flexibility and minimize the impact on the City's General Fund in the event the sale of TDRs did not realize all anticipated revenues.

As shown in Attachment III, provided by the Redevelopment Agency, \$34,900,000 of the \$43,100,000 Tax Allocation Bonds are estimated to be available for the proposed project. The difference of \$8,200,000 (\$43,100,000 less \$34,900,000) is the estimated costs of issuance of the bonds, the underwriter's discount, funding of a capitalized interest fund (to pay interest costs before the project begins producing revenue), bond insurance, and a reserve account, which is a reserve fund for debt service for the proposed Tax Allocation Bonds. According

BOARD OF SUPERVISORS

BUDGET ANALYST

to Mr. Menchini, these costs include 16 months of capitalized interest on the bonds for the cultural and open space portion of the project, 30 months of capitalized interest on the bonds for the Jessie Square Garage portion of the project, and a debt service reserve of 10 percent that could be used to pay for the final year of debt service on the Tax Allocation Bonds. The details for the \$8,200,000 are shown in Attachment III.

Comments:

1. According to Mr. Menchini, the Tax Allocation Bonds would be repaid from tax increment revenues, of which approximately 65 percent would normally accrue in the City's General Fund. According to Mr. Menchini, the use of tax increment revenues to service the debt on the Tax Allocation Bonds would not begin until Fiscal Year 2004-2005, since the Redevelopment Agency will have sufficient capitalized interest to pay bond debt service through FY 2003-2004. Under the proposed Cooperation and Tax Increment Reimbursement Agreement, between the City and the Redevelopment Agency, the Redevelopment Agency will reimburse the City for all tax increment revenues used for debt service, through biannual payments to the City during the period of 2005 through 2021. Such reimbursements will include amounts which would normally accrue in the City's General Fund (approximately 65 percent of the total tax increment revenues to be provided for debt service) and those which would normally accrue to other taxing entities, such as Property Tax proceeds otherwise payable to the San Francisco Unified School District (SFUSD) and the San Francisco Community College District (SFCCD), according to Mr. Menchini.

Under the proposed Cooperation and Tax Increment Reimbursement Agreement, such reimbursements would be paid back to the City from parking revenues, Possessory Interest Taxes, and Parking Taxes generated by the proposed Jessie Square Garage by December 31, 2018. As shown in Attachment IV, garage parking revenue and tax receipts will cover all outstanding debt service related to the Tax Allocation Bonds by 2018. As shown in Attachment IV, the final debt service payment by the Redevelopment Agency requiring tax increment in the amount of \$992,872 occurs in 2018. However, the garage revenues will not be sufficient to cover the tax

BOARD OF SUPERVISORS

BUDGET ANALYST

increment revenues which would normally accrue in the City's General Fund starting in year 2011 and ending in 2017, as shown in Attachment IV, as represented by a \$255,863 balance in 2011 and ending with a balance of \$561,856 in 2020. Therefore, under the terms of the Cooperation and Tax Increment Reimbursement Agreement, any shortfalls in revenues, which would normally accrue in the City's General Fund, by the Redevelopment Agency to make the General Fund whole will be repaid with interest at an annual compounded rate of five percent until the Redevelopment Agency's reimbursement obligation is satisfied.

As shown in Attachment IV, the City will no longer provide tax increment revenues to the Redevelopment Agency past 2018 when the debt service for the bonds are fully paid. As previously noted, the final debt service payment by the Redevelopment Agency related to the Tax Allocation Bonds is in 2018. However, the City will not be fully reimbursed until 2021. As explained in Attachment V, a memorandum provided by Mr. Carney, the reason for this is because the Redevelopment Agency "proposes to use \$870,000 in parking garage revenue for approximately three years, beginning in 2019, to replace ground lease revenues". Such ground lease revenues are now paid to the Redevelopment Agency for the Moscone Convention Center. The ground lease will expire in March of 2018, as explained in Attachment V. Therefore, the reduction in parking garage revenues, will result in the Redevelopment Agency's reimbursements to the City for the tax increment revenue, which would have otherwise accrued to the City's General Fund, to continue for an additional three years after the Tax Allocation Bond debt service is fully paid. Since the reimbursement to the City will not be complete until three years after the debt service period for the Tax Allocation Bonds, the Budget Analyst considers the proposed resolution to be a policy matter for the Board of Supervisors.

2. According to Mr. Menchini, the Redevelopment Agency expects to issue the proposed Tax Allocation Bonds in two series, on February 28, 2003 and March 14, 2003. Mr. Menchini advises that the Tax Allocation Bonds would have a fixed interest rate, not to exceed eight percent. Attachment IV, provided by Mr. Menchini, shows the debt

BOARD OF SUPERVISORS

BUDGET ANALYST

service schedule for the proposed Tax Allocation Bonds. As shown in Attachment IV, the total debt service over 14 years is \$52,888,997, or an average annual debt service of \$3,777,785.

3. As shown in Attachment I, \$4,529,624 for the proposed project will be generated from TDR sales. According to Mr. Carney, the applicable sales have not yet occurred, although they are required by Redevelopment Agency Disposition and Development Agreements now in place. Mr. Carney further advises that for the TDR sales to occur, the City's Planning Code and the City's General Plan Downtown Element must be amended, because the transfer of such development rights would be between different zoning districts (from a C-3-R, or Downtown Retail zoning district to a C-3-O, or Downtown Office zoning district). Such transfers are presently not permitted in either the Planning Code or the Downtown Element of the City's General Plan. Currently, two ordinances (File Nos. 02-0327 and 02-0328) are pending before the Board of Supervisors Neighborhood Services and Recreation Committee, which would amend the Planning Code and the Downtown Element to permit the necessary TDR sales to occur. According to Mr. Carney, if the pending ordinances amending the Downtown Element and the Planning Code (File Nos. 02-0327 and 02-0328) are not approved by the Board of Supervisors, the Redevelopment Agency will attempt to sell the TDRs for use in a C-3-R zoning district which is permitted under the current City Planning Code and Downtown Element of the City's General Plan. Mr. Carney advises that if the pending ordinances are not approved by the Board of Supervisors, the TDR revenue could be less than the \$4,529,624 estimated in Attachment I, since the proposed project TDR sales, to Millennium Partners, are above current market value. Therefore, the Budget Analyst notes that all of the financing sources for the proposed Project have not yet been secured. Because such financing sources would be dependent on Board of Supervisors approval of pending legislation, the Budget Analyst considers approval of the proposed resolution to be policy matter for the Board of Supervisors.

4. According to Mr. Carney, Millennium Partners was selected through a Request for Proposals process in 1995

BOARD OF SUPERVISORS

BUDGET ANALYST

to develop the Redevelopment Agency's CB-1 Market Street parcel, which included the Four Seasons Hotel and Condominiums and related retail development. The Disposition and Development Agreement negotiated with Millennium Partners as a result of the RFP included the potential for the development to include a parking garage under Jessie Square, with the construction of the Square and foundations for the adjacent cultural facilities. According to Mr. Carney, the General Contractor portions of the proposed project was put out to bid by Millennium Partners, assisted by the Redevelopment Agency's Contract Compliance Division through a Request for Qualifications (RFQ) process to select the construction General Contractor. According to Mr. Carney, Plant Construction/Ruiz Construction Company will serve as the General Contractor for the construction of the Project. According to Mr. Carney, the design architect for the Project is Gary Handell Associates, which was selected by Millennium Partners, in accordance with the contract compliance provisions of the Disposition and Development Agreement (DDA) between the Redevelopment Agency and Millennium Partners. Gary Handell Associates was selected because of their extensive experience, technical ability, and understanding of the Yerba Buena Center Redevelopment Project Area advises Mr. Carney. Mr. Chris Inglesias of the Redevelopment Agency provided Attachment VI, which contains a list of the bidders for the General Contractor and the selection process for the General Contractor and the design architect for the proposed Jessie Square Project. According to Mr. Carney, the proposed budgeted amounts for work to be constructed by the General Contractor and their subcontractors is \$30,451,623.

5. Millennium Partners, the developer of the Jessie Square Project, entered into a Disposition and Development Agreement (DDA) with the Redevelopment Agency. Under the DDA with the Redevelopment Agency, approximately 65 to 70 of the 450 parking spaces in the proposed Jessie Square Garage will be leased, for 30 years, to the developer, Millennium Partners. According to Mr. Carney, the Disposition and Development Agreement was not subject to Board of Supervisors approval but was subject to Redevelopment Agency Commission approval. According to Mr. Carney, the

BOARD OF SUPERVISORS

BUDGET ANALYST

spaces leased will be located at the top, or mezzanine, level of the Jessie Square Garage. According to Mr. Carney, Millennium Partners will pay a minimum of \$689,000 per year to the Redevelopment Agency for up to approximately 70 spaces (70 spaces @ \$7,700 per space, per year, plus \$150,000 per year for financing premiums).

6. As explained in Attachment VII, provided by Mr. Menchini, the Redevelopment Agency will provide a record for all garage financial transactions, provide the City with net garage revenues, and the remaining Redevelopment Agency obligations to the City, and the Redevelopment Agency will work with the Controller's Office to determine the amount of the tax increment revenues which the Redevelopment Agency has been reimbursing the City's General Fund.

7. In reviewing the Cooperation and Tax Increment Reimbursement Agreement between the City and the Redevelopment Agency, the Budget Analyst has concluded that the language contained in the agreement is extremely broad and does not specifically state that the City's General Fund will be fully reimbursed by the Redevelopment Agency from parking revenues, Possessory Interest Taxes, and Parking Taxes generated by the proposed Jessie Square Garage. Instead, the agreement refers to reimbursement of "the City". In this connection, the Budget Analyst notes that in accordance with the City's Charter, approximately 40 percent of the Parking Tax revenue that would be counted as a reimbursement to the "City" would be payable to the Municipal Transportation Agency Fund, and not the General Fund.

Further, specific language is not included in the agreement that supports the Redevelopment Agency's statement that the City's General Fund will receive reimbursements which include the amounts which would normally accrue in the City's General Fund (approximately 65 percent of the total tax increment revenues to be provided for debt service) and those which would normally accrue to other taxing entities, such as Property Tax proceeds otherwise payable to the San Francisco Unified School District (SFUSD) and the San Francisco Community College District (SFCCD).

BOARD OF SUPERVISORS

BUDGET ANALYST

The Budget Analyst recommends that the proposed resolution be continued and that the Cooperation and Tax Increment Reimbursement Agreement between the City and the Redevelopment Agency be rewritten to specify that a) the City's General Fund (as opposed to "the City") is fully reimbursed for tax increment revenue diverted from the General Fund to repay the debt service for the Redevelopment Agency's Tax Allocation Bonds, and that b) the City's General Fund will receive reimbursements which include the amounts which would normally accrue in the City's General Fund and those which would normally accrue to other taxing entities, including the SFUSD and the SFCCD. The Budget Analyst further recommends that the City Attorney and the Controller certify that the amended language of the Cooperation and Tax Increment Reimbursement Agreement is clear and sufficient to accomplish the stated intent of the agreement as specified in a) and b) above.

Recommendations:

1. Continue the proposed resolution so that the Cooperation and Tax Increment Reimbursement Agreement can be rewritten to clearly specify that a) the City's General Fund (as opposed to "the City") is fully reimbursed for tax increment revenue diverted from the General Fund to repay the debt service on the proposed Redevelopment Agency Tax Allocation Bonds, and b) the City's General Fund will receive reimbursements which include the amounts which would normally accrue in the City's General Fund and those which would normally accrue to other taxing entities, including the SFUSD and the SFCCD.
2. Request that the City Attorney and the Controller certify that the amended language of the Cooperation and Tax Increment Reimbursement Agreement is clear and sufficient to accomplish the stated intent of the agreement as specified in Recommendation 1, above.

3. Approval of the proposed resolution is a policy matter for the Board of Supervisors because a) the reimbursement to the City by the Redevelopment Agency for the tax increment revenue which would otherwise accrue to the City's General Fund, will not be complete until three years after the debt service for the Tax Allocation Bonds is fully repaid due to the use of \$870,000 annually to replace Moscone Convention Center ground lease revenues which will expire in 2018 (see Comment 1), and b) \$4,529,624 for the proposed project will be generated from Transferable Development Rights (TDR) sales that would only be permitted if pending legislation to amend the Planning Code and the Downtown Element to permit the necessary TDR sales to occur are approved by the Board of Supervisors. The pending ordinances (File Nos. 02-0327 and 02-0328) have been referred to the Board of Supervisors Neighborhood Services and Recreation Committee and have not yet been scheduled for a hearing (see Comment 3).

JESSIE SQUARE IMPROVEMENTS PROJECT SOURCES & USES SUMMARY

11/1/2002

BUDGET SOURCES

Tax Allocation Bond Proceeds*		
Garage Portion	\$ 20,200,000	
Public Improvements Portion	<u>\$ 14,700,000</u>	\$ 34,900,000
Land Sale		
Pavilion Parcel Sale	<u>\$ 380,000</u>	\$ 380,000
Transferable Development Rights (TDR)		
Basic Substation TDR Sale	\$ 3,420,000	
Additional Substation TDR Sale	\$ 629,624	
Planters Hotel TDR Sale	<u>\$ 480,000</u>	\$ 4,529,624
Developer Equity Contribution		
Pre-development sunk costs	<u>\$ 2,500,000</u>	\$ 2,500,000
Total Budget Sources		\$ 42,309,624

BUDGET USES

Public Improvements		
Jessie Square	\$ 3,733,664	
Magnes Museum Substructure & Preservation	\$ 6,291,074	
Mexican Museum Substructure	<u>\$ 5,216,367</u>	\$ 15,241,105
Garage Improvements		
Garage	\$ 24,689,660	
Garage Elevator Structure @ St. Patrick's	\$ 495,428	
Garage Truck Loading Area @ Argent	<u>\$ 1,883,431</u>	\$ 27,068,519
Total Budget Uses		\$ 42,309,624

* Tax Increment Bond Proceeds are construction funds only. For Bond Financing costs see separate Sources & Uses chart for Bonds

San Francisco
Redevelopment Agency

770 Golden Gate Avenue
San Francisco, CA 94102

415.743.2400
TTY 415.743.2500



Attachment II

WILLIE L. BROWN, JR., Mayor

Michelle M. Saxon, President
Kathryn C. Palomoulian, Vice President
Mark Dunlop
Larry King
Ramon E. Romero
Daranen Singh
Benny Y. Yee

Marcia Rosen, Executive Director

November 21, 2002

112-12202-023

To: Bruce Robertson
Harvey M Rose Accountancy Corp.
1390 Market St # 1025, San Francisco, CA 94102

From: Bill Carney
Senior Project Manager, San Francisco Redevelopment Agency

Subject: Transferable Development Rights

This memorandum responds to the request from your office for a simple description of Transferable Development Rights ("TDR's") as provided by the San Francisco Planning Code. TDRs provide an important source of funds for a portion of the Jessie Square Improvements, the proposed financing of which is now being analyzed by your office.

TDRs are a mechanism set up by the San Francisco Planning code for selling the development rights from a "preservation parcel" containing a historic building to a "development parcel" decreasing the amount of development that can occur on the first site and increasing that which can occur on the second site by the same amount. This compensates the owner of the historic building for preserving the historic building on a site, which could otherwise be demolished and developed for a larger building. Conversely, it allows the purchaser of the TDRs to build a larger building on the development parcel than would otherwise be allowed. TDRs are sold by the square foot at rates determined by the market. Sales are certified and recorded by the planning department.

As an example, the proposed funding for the Jessie Square Improvements includes \$4,529,624 from the sale of TDRs by the Agency to Millennium Partners. These development rights derive from two historical buildings in the Yerba Buena Center Redevelopment Area: 168,281 square feet from the Jessie Street Substation site and 19,200 square feet from the Planters' Hotel site. Millennium Partners intends to use the TDRs to increase the amount of development allowed on a site on Mission Street between Fremont and Beale Streets.

Please call me at 749-2412 with any additional questions.

San Francisco Redevelopment Agency
 2003 Series A & B Tax Allocation Revenue Bonds
 (Jessie Square Garage and Cultural & Open Space Improvements)

Sources and Uses of Funds

Par Value of Bonds [1]	\$43,100,000
------------------------	--------------

Uses:

Deposit to Construction Fund	34,900,000
Deposit to Capitalized Interest	3,074,182
Deposit to Reserve Account	4,310,000
Deposit to Costs of Issuance [2]	126,709
Bond Insurance [3]	473,609
Underwriter's discount [4]	215,500
Total uses of funds	<u>\$43,100,000</u>

Notes

- [1] Interest paid 2/1 and 8/1 and principal 8/1, final maturity 2018, dated and delivered 2/28/03.
 [2] Includes legal expenses, financial advisory fees, printing fees, trustee fees and other miscellaneous expenses.
 [3] Bond insurance assumed to be .75% of total debt service, purchased in advance.
 [4] Underwriter's discount assumed to be .5% of par or \$5.00 per \$1,000 bond.

San Francisco Redevelopment Agency

Schedule of Tax Increment Reimbursements

F.Y Ended 30-Jun	Revenues			Uses			Total Revenues Less Uses (D - I)	Cumulative (5) Balance Due to City (None if Negative) 5.0%
	Tax Receipts (1)	Garage NOI (2)	Total Revenues (B + C)	Moscone Lease Rev Replacement (3)	Debt Service Related to the Bonds (4)	Total Uses		
2003								
2004								
2005	363,758	1,077,483	1,441,241		615,803	615,803	825,438	(825,438)
2006	569,640	1,892,772	2,462,412		1,464,544	1,464,544	997,868	(1,823,306)
2007	681,182	2,325,872	3,007,054		1,541,702	1,541,702	1,465,352	(3,288,658)
2008	701,345	2,373,010	3,074,355		2,881,702	2,881,702	192,653	(3,481,311)
2009	722,480	2,442,089	3,164,569		2,882,172	2,882,172	282,397	(3,763,707)
2010	744,251	2,513,164	3,257,415		5,313,012	5,313,012	(2,055,597)	(1,708,110)
2011	766,678	2,586,291	3,352,969		5,316,942	5,316,942	(1,963,973)	255,863
2012	813,332	2,757,994	3,571,326		5,315,297	5,315,297	(1,743,971)	2,012,628
2013	837,842	2,838,318	3,676,160		5,310,422	5,310,422	(1,634,262)	3,747,521
2014	863,090	2,920,963	3,784,053		5,313,502	5,313,502	(1,529,449)	5,464,347
2015	889,099	3,005,997	3,895,096		5,313,277	5,313,277	(1,418,181)	7,155,745
2016	915,892	3,093,488	4,009,380		5,313,817	5,313,817	(1,304,437)	8,817,970
2017	972,052	3,300,337	4,272,389		5,313,930	5,313,930	(1,041,541)	10,300,409
2018	995,745	3,394,833	4,390,578		992,872	992,872	3,397,706	7,417,724
2019	1,026,184	3,495,309	4,521,493	870,000		870,000	3,651,493	4,137,117
2020	1,056,674	3,595,443	4,652,117	870,000		870,000	3,782,117	561,856
2021	1,088,523	3,700,118	4,788,641	870,000		870,000	3,918,641	(3,328,693)

(1) Primarily parking tax revenues and possessory tax on 70 stalls.

(2) Gross garage revenues less operating costs.

(3) Replaces ground lease payments pursuant to 1988 Project Lease that terminate by June 30, 2018.

(4) Paid with tax increment. For providing tax increment, the City receives parking tax revenues in perpetuity and garage net revenues until City is reimbursed in full with interest, projected to occur in year 2022.

(5) Unpaid balance due to City accrues interest at 5% per annum. Negative number indicates no unpaid balance owed to City.

N:\MARIOMexican Museum\Table City.xls\Summary 1102



To: Harvey Rose, Budget Analyst
Harvey Rose Accountancy Corp.

From: William Carney, Senior Project Manager

Date: November 22, 2002

Subject: Replacement of Moscone Lease Payments

As requested by your office, this memorandum provides further background on the Agency's proposed use of revenues from the proposed Jessie Square Garage to replace Moscone Convention Center Ground Lease revenue to continue to fund maintenance for the Yerba Buena Gardens beginning in 2019.

On March 1, 1988, the Redevelopment Agency signed a 30-year ground lease agreement with the City for the Moscone Convention Center. Under the terms of the 1988 ground lease agreement, the City currently pays the Redevelopment Agency an annual payment of \$870,000. The lease agreement expires in March of 2018, and this source of revenue will therefore no longer be available to help pay for Yerba Buena Gardens maintenance and capital replacement needs.

The Agency has therefore proposed to use \$870,000 in garage revenue for approximately three years, beginning in 2019 to replace the ground lease revenues. A recently completed capital maintenance study of Yerba Buena Gardens by 3DI International indicates an on-going critical need for these funds, especially as the facilities age. The Gardens, which include both the public open space and the cultural facilities, will have been in service for twenty-five years by 2019. Capital maintenance, repair and replacement are therefore expected to be a critical need at that point.

San Francisco
Redevelopment Agency

770 Golden Gate Avenue
San Francisco, CA 94102

415.749.2400
TTY 415.749.2500



WILLIE L. BROWN, Jr., Mayor

Michelle W. Sexton, President
Kathryn C. Polomountain, Vice President
Mark Dunlop
Leroy King
Ramon E. Romero
Darshan Singh
Benny V. Yee

Marcia Rosen, Executive Director

November 22, 2002

To: Harvey Rose, Budget Analyst

From: Chris Iglesias, Contract and Fiscal Services Manager

RE: General Contractor Selection Process for the Jessie Square Parking Garage and Related Structures

In 1995 the Agency issued a Request for Proposals (RFP) for development of the Market Street parcel in the Yerba Buena Center Redevelopment Project Area. As a result of this process, the Agency Commission selected Millennium Partners to develop the Four Seasons Hotel and Condominiums, with related retail, parking and other improvements. The Disposition and Development Agreement (DDA) negotiated with Millennium included the potential for the development to include a parking garage under Jessie Square, with the construction of the Square and foundations for the adjacent cultural facilities.

In August of 2000 Millennium Partners issued a Request For Qualifications (RFQ) for Construction Services for the Jessie Square Parking Garage, Plaza and structures for the Mexican and Magnes Museums.

The RFQ followed the Agency's contracting guidelines as outlined in the DDA with Millennium Partners. These guidelines include extensive good faith effort steps (11) to ensure that minority and woman-owned business enterprises have an equal opportunity to compete for and participate in contracts for the planning, design and construction of the buildings (and garage).

As outlined in the good faith effort steps, Millennium Partners advertised the RFQ in the City's Bid and Contracts Newsletter, conducted site visits with prospective contractors and mailed the RFQ to organizations that serve the M/WBE contracting community. An added feature to the process included Millennium's commitment to try to include M/WBE participation at the prime contractor level.

This added feature is different from the requirements outlined in the DDA, which focuses on M/WBE participation at the subcontractor level. On September 20, 2002 the following eight contractors submitted qualifications:

1. Clark Construction
2. Dennis J. Amoroso Construction
3. G.M.I. Construction
4. Ruiz Construction
5. McCarthy Building Companies
6. Plant Construction
7. Richlen Construction
8. S.J. Amoroso Construction

The following five contractors were invited to participate in the interview process:

1. G.M.I. Construction
2. Ruiz Construction
3. McCarthy Building Companies
4. Plant Construction
5. Richlen Construction

At the completion of the interview process the firms were ask to provide company financial statements and proposed budgets. Based on this information Millennium selected Plant Construction and Ruiz Construction as it main contractor for the Garage, Plaza and superstructures. This process also satisfied the Agency's goal of having an MBE contractor participate at the prime level.

The prime team will bid out all of the sub-trades following the above referenced guidelines.

The lead architectural firm is Gary Handell & Associates. The subconsultant portion includes 27 percent MBE participation and 13 percent WBE participation. Gary Handell was selected for the work because of their experience with the CB-1 Four Seasons, Yerba Buena Lane Connector and the Sony Metreon projects, their intimate knowledge of the area, and their proven ability to accomplish complex urban designs.

San Francisco
Redevelopment Agency

770 Golden Gate Avenue
San Francisco, CA 94102

415.749.2400
TTY 415.749.2500



WILLIE L. BROWN, JR., Mayor

Michelle W. Sexton, President
Kathryn C. Polamountain, Vice President
Mark Dunlop
Lorey King
Ramon E. Romero
Darshan Singh
Benny Y. Yee

Marcia Rosen, Executive Director

To: Bruce Robertson
Harvey Rose Accountancy Corp.

From: Mario Menchini
Senior Financial Analyst

Date: November 22, 2002

Subject: Accounting & Reporting Requirements Associated with the Jessie Square
Open Space and Parking Garage Financing

Per your request, the Agency is submitting this memo to further clarify the accounting & reporting requirements associated with the Jessie Square Open Space and Parking Garage financing. As detailed in the Cooperation and Tax Increment Reimbursement Agreement, the Agency agrees to the following:

1. Create a segregated account to hold all funds generated by the Parking Garage and keep a separate record of all financial transactions associated with said facility.
2. Accompanying each reimbursement, the Agency will provide a report that lists the revenues, expenses, and net income of the Parking Garage and any unpaid obligation owed to the City.
3. The Agency will consult with the City Controller's Office to determine the tax increment reimbursement amount.
4. The Agency agrees to allow the City to examine all records and books related to the Parking Garage and associated financing and to have audits conducted by independent certified public accountants.

Items 12 and 13 - Files 02-1916 and 02-1893

Department: Public Utilities Commission (SFPUC)

Items: File 02-1916: Resolution approving a Power Purchase Agreement between the San Francisco Public Utilities Commission (SFPUC) and the California Department of Water Resources (CDWR).

File 02-1893: Ordinance authorizing settlement of a lawsuit filed by the City and County of San Francisco, on behalf of the People of California, against the Williams Energy Companies; the lawsuit entitled People v. Dynegy, et al. was filed on January 18, 2001, and has been consolidated as Wholesale Electricity Antitrust Cases I & II in the United States District Court, Southern District of California, Case Nos. 02 CV 0990-RHW, CV 02-1000-RHW, 02 CV-1001 RHW. The settlement provides (a) a modification of the long-term contracts between the State of California and Williams, (b) transfers to the City and County of San Francisco four electric generating turbines for use within the City, (c) payment by Williams to the State of California of approximately \$19 million to assist with the siting and the development of electricity generating equipment in San Francisco and San Diego; and payment by Williams to the City and County of San Francisco of \$500,000 for attorney's fees and other expenses of litigation.

Description: File 02-1893: The proposed ordinance would authorize the City's participation in a settlement negotiated by the State of California with Williams Energy Companies (Williams), which is one defendant in the City's ongoing lawsuit against electric energy generators and sellers for price gouging and market manipulation. On January 18, 2001, the City Attorney's Office filed a lawsuit, entitled People v. Dynegy, et al. alleging unfair business practices, against 12 energy generators and sellers, including Williams. The City's lawsuit alleges that the unlawful conduct of the defendants caused or contributed to price spikes in the wholesale electricity market and shortages of electricity beginning in June of 2000. Other plaintiffs, including public entities, private citizens, and the California Lieutenant Governor filed similar lawsuits against electric energy generators and sellers in 2001.

The City of Oakland and the Counties of Santa Clara and Alameda later joined the suit with the City and County of San Francisco and other public entities and private citizens. All of the cases were coordinated by the California Superior Court as the Wholesale Electricity Antitrust Cases I & II. Attachment I, provided by the City Attorney's Office, contains a list of San Francisco's co-plaintiffs. A list provided by the City Attorney's Office of all 12 defendant companies is shown in Attachment II.

On March 11, 2002, the California Attorney General filed a lawsuit seeking \$150 million in damages against four energy sellers and generators, including Williams. The State has now reached a settlement with Williams that would resolve all of its outstanding litigation against Williams related to electric price gouging and market manipulation, and any future claims concerning the fairness of the State's renegotiated long-term energy contracts with Williams. On November 7, 2002, the California Public Utilities Commission (CPUC) approved the proposed settlement. Other State entities, including the State's Electricity Oversight Board, the California Department of Water Resources (DWR), and the Attorney General approved the settlement on November 11, 2002. According to Ms. Theresa Mueller of the City Attorney's Office, the State expects that the private plaintiffs in the Wholesale Electricity Antitrust Cases and other public entities, including the City and County of San Francisco and its co-plaintiffs, will approve the settlement agreement as well.

The settlement with Williams includes restructuring the State's long-term gas and electric contracts with Williams, which will reduce the cost to California ratepayers of such contracts by an estimated total of \$180 million according to the Attorney General's Office. Therefore, Ms. Muller advises that the State believes the renegotiated contracts for gas and electricity will result in savings in the cost of such gas and electricity for San Francisco residents and businesses because Pacific Gas & Electric and other energy distributors sell energy to ratepayers at the pass-through rate of the long-term contracts.

Williams is also to pay the State \$147 million in cash over seven years, beginning in 2003, and will also transfer to the State six natural gas turbines (turbines) for generating electricity, each capable of generating 50 megawatts¹ of electricity. In addition to the reduced contract costs of \$180 million and \$147 million in cash payments to the State of California, the settlement agreement provides that Williams will pay \$15 million into a litigation fund managed by the State which will be used to continue the prosecution of other generators in the Wholesale Electricity Antitrust Cases I & II, including the City's case. Therefore, under the settlement agreement, Williams will pay a total of \$162 million to the State. Also, as stated above, the State's contract costs with Williams would be reduced by \$180 million. Further, under the settlement, Williams has agreed to cooperate with the State in the investigation and prosecution of other generators.

Under the settlement, the City will receive four of the six turbines transferred to the State by Williams. The City of San Diego will receive the other two turbines. The State has allocated \$19 million, of the \$147 million that Williams will pay the State, to fund the siting and development of electric generating facilities utilizing the six turbines in San Francisco and San Diego. According to Mr. Randolph Wu of the City Attorney's office, the final allocation of the \$19 million to be received by San Francisco has not been determined. However, Mr. Wu advises that the City expects to receive two-thirds of the \$19 million or approximately \$12.66 million, with the balance of approximately \$6.34 million to be paid to San Diego, based on San Francisco receiving four, or two-thirds, of the six turbines. The \$19 million to be allocated to the Cities of San Francisco and San Diego will be held by the State in an escrow account and will be remitted to the Cities for reimbursement of all approved siting and development costs. The City will have until December 31, 2003 to secure a site for the four turbines. If the City does not secure a site by December 31, 2003, the California Consumer Power and Conservation Financing Authority (Authority) may exercise an option to take over

¹ A megawatt of electricity is equal to 1,000 kilowatts and is sufficient to provide electric power to 10,000 single-family residences.

the four turbines, which were to have been transferred to San Francisco. The Authority would pay the City \$2.5 million for each turbine if the Authority elects to take over the turbines. According to Mr. Wu, the Authority would then be able to site and use the turbines to generate electricity as the Authority determines. The City would no longer have title to the turbines and no control over how the electricity generated by the turbines would be used.

File 02-1916: Approval of the subject resolution would authorize the General Manager of the Public Utilities Commission, on behalf of the City, to execute the Power Purchase Agreement (the Agreement) between the SFPUC and the CDWR which would authorize the City to sell the capacity to generate electrical power to the California Department of Water Resources (CDWR), contingent on the adoption of a settlement agreement between the State of California and Williams and the transfer of the four turbines capable of generating up to 200 megawatts of electricity (50 mega-watts per turbine) to the City.

The proposed resolution states that San Francisco has not determined (a) whether it should site and develop the four 50 megawatt capacity turbines in San Francisco or elsewhere, and (b) what the costs and the environmental impacts are of siting and developing the turbines. The proposed resolution further states that until the City and the CDWR perform additional analysis, the City cannot determine the amount payable to the City from the CDWR for the capacity to generate electrical power under the terms of the Agreement. The proposed resolution states that the authority for the CDWR to enter into the subject Agreement with the SFPUC on behalf of the City expires on December 31, 2002 (see Comment No. 5).

The proposed Agreement, between the SFPUC and the CDWR contains the following provisions:

Operation Date and Payment

The CDWR would make payments for the capacity of electric generation on a monthly basis to the City after an electric generation facility, using any of the four turbines, achieves commercial operation (the "Commercial

Operation Date"). The Commercial Operation Date is defined as the date that the CDWR accepts the City's certification that all the requirements of operation have been achieved, including that (a) the City secures all permits governing safety and air and water emissions required to operate the turbines, (b) the completion of a performance test that measures the capacity and efficiency² of each turbine, and (c) the ability to collect data and perform future capacity and efficiency tests.³

The monthly payments, payable to the City by the CDWR, would include five components: 1) the fixed operation and maintenance costs (the FOM), 2) a debt service payment (the DS)⁴, 3) the costs of any property leased for the turbines (the RPLC), 4) the variable operation and maintenance costs (the Variable O&M), and 5) a reimbursement for the monthly fuel costs (the Fuel Payment). Attachment III, provided by Mr. Edward Smeloff of the PUC, explains the benefits of the Power Purchase Agreement to the City, including the proposed payment structure.

Capacity Payment

The first three components described above, the FOM, DS and RPLC, constitute the "Capacity Payment" which would be adjusted according to the rated capacity of the turbines (see Comment No. 8). Attachment III to this report, provided by Mr. Smeloff, further describes the Capacity Payment. The subject Agreement sets winter and summer targets such that if the turbines are available to produce energy more than 97% of the hours or 94% of the hours in the winter season, the City would receive a bonus payment on a monthly basis from the CDWR, based on the ability of the turbines to produce energy above the target levels. However, if the turbines are not available to produce energy for at least 95% of the hours in the summer season or 92% of the hours in the winter season, the City would receive a reduced monthly Capacity Payment from the CDWR. These targets do not

² The efficiency of each unit would be measured by the "heat rate" which is the amount of fuel required to produce a unit of energy.

³ The subject Agreement requires that the City perform at least one annual test and up to three tests annually on the turbines, using installed instrumentation calibrated by the CDWR to determine the maximum mega-watt output of the turbines.

⁴ The debt service payment would amortize over a 10 year period, the capital costs of the electric generating facility utilizing any of the four turbines.

include scheduled maintenance under the subject Agreement. Attachment I to this report, provided by Mr. Wu, explains in more detail how the Capacity Payments would change if the turbines failed to meet the availability targets. The actual monthly Capacity Payment cannot be determined until the costs of siting, developing and operating the turbines are known.

Other Payments

The Variable O&M and Fuel Payments are payments which the CDWR would pay the City to cover the variable costs of producing and delivering energy to the transmission grid according to the CDWR's schedule of energy delivery⁵. The Agreement would establish that should the City choose to generate energy in addition to the CDWR's schedule, any associated fuel costs would be the responsibility of the City. The Fuel Payment, payable to the City from the CDWR, would only cover the total cost of fuel if the City operates and maintains the electric generating facility at the guaranteed efficiency or heat rate.

The subject Agreement states that the FOM and the Variable O&M payments would not include (a) expenses incurred by the City from any litigation or action brought against the City regarding the siting, development or operation of the turbines, or (b) the costs of obtaining and complying with required permits for the turbines. However, according to Mr. Wu, the City may recover all of these costs through the debt service (DS) component or other payments.

Terms and Termination Options

The term of the Agreement would be ten years from the Commercial Operation date. The City would have an option to terminate the Agreement five years from the date of execution of the subject Agreement. In order to exercise the five-year termination option, the City must inform the CDWR of its intention to terminate the Agreement one-year prior to termination. The City may also terminate the Agreement at any time prior to the Commercial Operation date if it determines that the cost

⁵ The subject Agreement gives the CDWR the right to schedule the delivery of energy from the four turbines to the transmission grid, which is the State's system for transporting electricity.

of the facility is too high or that regulatory approvals or other permits may not be obtained.

The CDWR may terminate the Agreement at any time prior to the sale by the City of bonds (see Comment No. 4) to finance the project to build a facility to operate the turbines or at any time after the CDWR has paid the City all DS payments due to the City. The Agreement states the CDWR may terminate the Agreement if the cost of siting and financing the turbines "is or will become unacceptable" to the State prior to the initial sale of the bonds. The CDWR may also terminate the agreement if the City has not secured a site for the construction of an electric generating facility by December 31, 2003.

Comments:

1. Ms. Mueller advises that the City has continuing litigation against the remaining 11 energy generators and sellers (excluding Williams), originally included in the City's lawsuit, as listed in Attachment II.

2. Williams purchased the four turbines to be transferred to San Francisco from General Electric at a price of \$15 million per turbine, for a total cost of \$60 million for the four turbines. As stated previously, if the City does not secure the site for an electric generating facility utilizing the four turbines by December 31, 2003, the California Consumer Power and Conservation Financing Authority may exercise an option to take over the turbines from the City and will pay the City \$2.5 million for each turbine, or a total of \$10 million, when the Authority elects to take over the turbines.

3. As stated previously, the State has allocated \$19 million to fund the siting and development of six turbines by San Francisco and San Diego. While the City Attorney's Office estimates that the City will receive two thirds of this \$19 million, or an estimated \$12.66 million, there has not been a precise determination of what portion of the \$19 million San Francisco will receive. Mr. Smeloff of the PUC reports that the PUC does not have estimates for the cost of siting and developing an electric generating facility utilizing the four turbines. Mr. Smeloff further reports that, as of the writing of this report, the PUC has not determined where the turbines would be located. However, Mr. Smeloff states that the SFPUC

will participate in a process to identify an appropriate location(s) in San Francisco for the siting of the turbines and narrow the list of locations to a preferred site after conducting a review of the attributes of the alternative locations.

4. Ms. Monique Moyer of the Mayor's Office of Public Finance advises that financing the capital cost of the electric generating facility utilizing the four turbines could be conducted through Revenue Bonds or Certificates of Participation. Ms. Moyer reports that because the precise estimated costs for siting and developing the electric generating facility utilizing the four turbines are not known and the scope of the project has not been finalized, Ms. Moyer is unable to report on the best method of financing at this time. Costs for siting and developing the electric generating facility utilizing the four turbines that are not paid out of the \$19 million fund may be included as a capital cost of the project and financed through bonds or certificates. Ms. Moyer advises that the debt will have a ten-year amortization period such that the capital costs will be paid off in the first ten years. Ms. Moyer further reports that the City, the PUC or the CDWR could issue the needed financing instruments. Ms. Moyer states that the structure of the proposed Power Purchase Agreement provides that the CDWR would pay for all financing costs through the capacity payment.

5. According to Mr. Wu, the State gives the CDWR authority under the Emergency Powers Act in February of 2001 to purchase power from power producers for consumers when major utilities (Pacific Gas and Electric and Southern California Edison) do not have the creditworthiness to do so. The authority of the CDWR to make such power purchases expires on December 31, 2002, according to Mr. Wu.

6. Mr. Smeloff states that the objective of the proposed Power Purchase Agreement is to enhance the reliability of electricity in San Francisco, especially in emergencies. According to Mr. Smeloff, the four 50 megawatt turbine units are intended to supply electric power for 30 percent to 40 percent of the annual hours that a traditional power plant would operate.

7. While the subject proposed resolution states that siting and developing an electric generating facility utilizing the four turbines would enable the closure of the power plant, the Budget Analyst notes that nothing in the Agreement requires that PG&E's power plant at Hunters Point be closed. According to Ms. Mueller, the City has an agreement with PG&E, previously approved by the Board of Supervisors (File No. 98-1256), which requires that the power plant at Hunters Point be shut down when it is no longer needed for reliability, a determination that will be made by the California Independent System Operator. Attachment III to this report describes how the proposed Power Purchase Agreement may lead to the closure of the power plant at Hunters Point.

8. According to Mr. Wu, the Capacity Payment structure was developed in negotiations between the City and the CDWR to reimburse the City for the cost of siting and developing the turbines over ten years. Mr. Wu advises that after the 10-year period, the turbines, which have an estimated life of 30 years, would be owned by the City. As explained in Attachment I, Mr. Wu states that the initial value of a 200 MW electric generating facility is \$160 million.

The Budget Analyst notes that if and only if the City is able to site, develop, construct, achieve commercial operation and then operate and maintain the electric generating facility for ten years under the terms of the Agreement, then the City would be reimbursed by the CDWR in full for the capital costs of the electric generating facility utilizing the turbines. How much the City could potentially not be reimbursed would depend on the costs of developing and siting the turbines. According to Mr. Smeloff, an estimate of such costs cannot be determined until additional work on siting and development has been performed. However, the City would also receive a portion of the \$19 million included in the Settlement Agreement to assist in the siting and development of the turbines.

9. Additionally, under the subject Agreement, the City would be responsible for paying the costs of any litigation or administration actions that arise from the siting, development or operation of the turbines. Mr. Wu reports

BOARD OF SUPERVISORS

BUDGET ANALYST

that the costs associated with litigation cannot be estimated at this time. However, Mr. Wu states that these costs may be recovered from the debt service payments and other payments under the Agreement. As stated previously, the debt service payments, are included in the capacity payments to be paid by the CDWR to the City for the capacity to generate electrical power. In Attachment III, Mr. Smeloff describes the process to site four 50-megawatt peaker units and states that "the costs of the project cannot be estimated until additional work on siting and development has been performed."

10. As noted above, the Capacity Payment, payable to the City from the CDWR, would be reduced if the electric generating facility utilizing the turbines does not meet the availability targets, as explained in Attachment I. Similarly, the Fuel Payments paid to the City would be reduced by the CDWR if the electric generating facility utilizing the turbines does not meet the fuel efficiency standard that the Agreement establishes, as explained in Attachment I. According to Mr. Wu, in order to minimize the risk to the City of any reductions in payments made by the CDWR, the City plans to purchase insurance and warranties against the risk of not meeting the proposed Power Purchase Agreement standards to guarantee that the City would recover its full costs. Mr. Wu reports that the cost to the SFPUC of such insurance and warranties is not known at this time.

11. In Attachment I, Mr. Wu explains that additional approvals by the Board of Supervisors will be required for land, construction and operations contracts related to the project and for the financing necessary for the project.

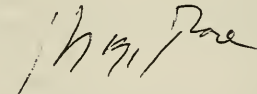
12. As of the writing of this report no details are available on the cost of transporting, storing, siting, developing, insuring and operating the four turbines to be transferred by the State to the City under the proposed Settlement Agreement and to be operated under the proposed Power Purchase Agreement. Additionally, the City has not determined whether siting the turbines is feasible and has not identified a site.

As stated above in Comments Nos. 8 and 9, the Budget Analyst has identified two risk factors: (1) if and only if

the City is able to site, develop, construct, achieve commercial operation and then operate and maintain the electric generating facility for ten years under the terms of the Agreement, then the City would be reimbursed by the CDWR in full for the capital costs of the electric generating facility utilizing the turbines and how much the City could potentially not be reimbursed would depend on the costs of developing and siting the turbines, and (2) under the subject Agreement, the City would be responsible for paying the costs of any litigation or administration actions that arise from the siting, development or operation of the turbines. The estimated dollar value of these risk factors cannot be determined, as previously stated. Therefore, the Budget Analyst considers approval of the subject ordinance and resolution to be policy matters for the Board of Supervisors.

Recommendation:

Approval of the proposed ordinance (File 02-1893) and resolution (File 02-1916) is a policy matter for the Board of Supervisors.



Harvey M. Rose

cc: Supervisor Peskin
Supervisor Daly
Supervisor Maxwell
Clerk of the Board
Controller
Ben Rosenfield
Ted Lakey

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CITY ATTORNEY



DENNIS J. HERRERA
City Attorney

THERESA L. MUELLER
DEPUTY CITY ATTORNEY

DIRECT DIAL: (415) 554-4640
E-MAIL: THERESA_MUELLER@sfgov.org

MEMORANDUM

TO: ELAINE FORBES
Budget Analyst's Office
Board of Supervisors

FROM: THERESA L. MUELLER
RANDOLPH L. WU
Deputy City Attorneys

DATE: November 27, 2002

RE: Re: Budget Analysis Proposed Power Purchase Agreement between the
Department of Water Resources and the City and County of San Francisco
("Power Purchase Agreement")

Per your request we are providing additional information on the settlement, the electric generating project and terms in the Power Purchase Agreement.

Co-plaintiffs

The plaintiffs in San Francisco's lawsuit are San Francisco, Oakland, and the Counties of Santa Clara and Contra Costa. Our case was coordinated into the Wholesale Electricity Antitrust Cases with the following additional plaintiffs: Lieutenant Governor Cruz Bustamante, Assemblywoman Barbara Mathews, Valley Center Municipal Water District, Padre Dam Municipal Water District, Ramona Municipal Water District, Helix Water District, Vista Irrigation District, Yuima Municipal Water District, Fallbrook Public Utility District, Borrego Water District, Sweetwater Authority, Metropolitan Transit Development Board; San Diego Trolley, Inc.; San Diego Transit Corporation; classes consisting of all persons or entities in California who indirectly purchased Electric Power for purposes other than resale or distribution since January 1, 1998, represented by Pamela R. Gordon, Ruth Hendricks, Mary L. Davis and Oscar's Photo Lab; the Attorneys General of Washington and Oregon.

Required Board Approvals

Under Charter Section 9.118(b), agreements in excess of ten years or requiring expenditures of \$10 million or more require approval of the Board of Supervisors. Development of the project would necessitate one or more contracts that would fall into this category. Such contracts could include contracts for engineering, procurement, construction, operations, maintenance, and financing. In addition, development of the project might involve a lease that would require approval under 9.118(c).

Memorandum

TO: ELAINE FORBES
DATE: November 27, 2002
PAGE: 2
RE: Re: Budget Analysis Proposed Power Purchase Agreement between the Department of Water Resources and the City and County of San Francisco ("Power Purchase Agreement")

Initial Valuation of Electric Generating Facility

The California Energy Commission (CEC) issued in December, 1998 a Market Clearing Price Forecast that included as Appendix F the Cost of New Entrants in the California energy market. In that forecast the CEC staff refers to an installed cost for combined cycle plants as being in the range of \$800/kw. The forecast also refers to a Stone & Webster report showing total project costs for independent power projects as within a range of \$834 to \$1,981 per kw (1998 dollars). These forecasts of installed costs on a \$/kw basis use averages of reported costs in less densely populated areas along with installed costs in more densely populated urban areas such as San Francisco where the costs of building generation are likely to be significantly higher than in other areas.

The proposed installation of four gas turbines in San Francisco with a total rated capacity of 200 MWs then may be valued at \$160 million based upon a conservative installed cost of \$800/kw.

Debt Service Payment

The proposed Power Purchase Agreement provides for the recovery of the cost of the electric generating facility ("Facility") as determined by the fixed Engineering, Procurement and Construction Contract price and any development costs through bonds to be issued by San Francisco. The actual debt service on the bonds or other indebtedness issued to finance the Facility plus other amounts such as a debt service reserve are to be recovered through the Debt Service (DS) component of the Capacity Payment under the Power Purchase Agreement. The Capacity Payment is to be paid monthly whether or not energy is delivered from the Facility on the basis of the Facility's Rated Capacity and its availability as explained below.

Availability Targets

The Power Purchase Agreement has certain performance guarantees such as an Availability Guaranty. Under the Availability Guaranty, the Facility must be capable of generating electricity for a minimum number of hours each month after scheduled hours for maintenance of the Facility are excluded. During the summer months, the Facility must achieve a 95% availability and during the winter months the Facility must achieve a 92% availability. If the Facility falls below these targets, then the Capacity Payment is adjusted downward to penalize the City for not meeting the expected Availability Guaranty. If the Facility achieves a 97% availability during the summer or a 94% availability during the winter, then the Capacity Payment will be increased to reward the City for exceeding the Availability Guaranty. If performance during the summer is

Memorandum

TO: ELAINE FORBES
DATE: November 27, 2002
PAGE: 3
RE: Re: Budget Analysis Proposed Power Purchase Agreement between the
Department of Water Resources and the City and County of San Francisco
("Power Purchase Agreement")

between 95-97% or 92-94% in the winter, then no adjustment of the Capacity Payment will be made.

This formula with a penalty for lower availability and a bonus for greater availability around a performance "deadband" is commonly used to give economic incentives to the operator to ensure that the Facility will be available and capable of generating electricity. Availability guarantees are included in warranties from the manufacturer and also are provided within the O&M Contract. The City should expect to mitigate its risk through the warranties and performance guarantees provided by the manufacturer and the O&M contractor.

Heat Rate Guaranty

The Power Purchase Agreement also has a heat rate or efficiency guaranty. The Test Heat Rate of the Facility as measured by the amount of fuel required to generate a kilowatt of electricity (btu/kwh) will be determined annually through a Performance Test. The adopted Test Heat Rate then will be used for the following year until another Performance Test is conducted and another heat rate is determined.

To the extent the Facility in a given year does not operate at the adopted Test Heat Rate and consumes more fuel than is expected to generate electricity, the City would bear the cost of the additional fuel required to generate electricity.

Heat rate guarantees are generally included in warranties from the manufacturer and also may be included in performance guarantees within the O&M Contract. The City should expect to mitigate its own risk though performance guarantees provided by the manufacturer

CITY AND COUNTY OF SAN FRANCISCO



DENNIS J. HERRERA
City Attorney

OFFICE OF THE CITY ATTORNEY

THERESA MUELLER
DEPUTY CITY ATTORNEY

DIRECT DIAL: (415) 554-4640
E-MAIL: THERESA_MUELLER@sfgov.org

November 26, 2002

1. Dynegy Power Marketing Inc., Houston, TX
2. Enron Energy Services Inc., Houston, TX
3. Enron Power Marketing Inc., Houston, TX
4. PG&E Energy Trading Holding Corp., Houston, TX
5. Reliant Energy Services Inc., Houston, TX
6. Sempra Energy Trading Corp., Stamford, CT
7. Sempra Energy Resources, San Diego, CA
8. Southern Company Energy Marketing, Atlanta, GA
9. Williams Energy Marketing and Trading Co., Tulsa, OK
10. Duke Energy Trading and Marketing, a Delaware corporation
11. Morgan Stanley Capital Group Inc., NY
12. NRG Energy Inc., Minneapolis, MN

To: Sarah Graham
Budget Office
Board of Supervisors

From: Ed Smeloff
Assistant General Manager
San Francisco Public Utilities Commission

Re: Proposed Power Purchase Agreement between the Department of Water Resources and the City and County of San Francisco

Benefits of the Power Purchase Agreement

The purpose of the proposed agreement between the California Department of Water Resources (CDWR) and the City and County of San Francisco (CCSF) is to facilitate the siting of four natural-gas fired General Electric LM 6000 combustion turbines generators (gas turbines), each with a nominal rating of between 45 and 50 MW. (The capacity rating for the purposes of the proposed agreement will be determined through a performance test upon achieving commercial operation.)

The siting of the combustion turbines will achieve the near-term goal of reducing reliance on inefficient and unreliable electric generation at the Potrero and Hunters Point Power Plants while becoming an integral component of a long-term, competitively priced solution to establishing reliability for the regional electric system for the future. The siting of these gas turbines coupled with specific transmission line projects, energy efficiency programs and distributed power initiatives will provide the San Francisco Peninsula with the long-term reliability necessary to permanently shutdown existing generation at Hunters Point and significantly decrease reliance on the older and heavily polluting power units at the Potrero Power Plant.

The staff of the San Francisco Public Utilities Commission has been working in a collaborative process with the California Independent System Operator, Pacific Gas and Electric Co. and community organizations to specifically define the conditions that would result in the permanent closure of the Hunters Point power plant. Those collaborative discussions have resulted in an assessment that without the Hunters Point unit 4 power plant (163 MW in size) that the reliable load-serving capability of the electrical system for San Francisco is 850 megawatts.

This collaborative group has also modeled a scenario under which three gas turbines are sited in San Francisco, a 57 MW combined cycle plant (using one gas turbine) is sited at San Francisco airport, an existing transmission line from San Mateo to San Francisco is upgraded from 60 KV to 115 KV and a 115 KV underground cable is extended between the Potrero electrical switchyard and the Hunters Point electrical switchyard. Under this scenario the reliable load-serving capability for San Francisco would be 1090 megawatts.

The highest load experienced in San Francisco occurred in 2000 at 940 megawatts. PG&E's most recent load forecast predicts load to grow to 967 megawatts by 2005 and 1077 megawatts by 2012. Based on this forecast it is very unlikely that the California ISO would permit the closure of the Hunters Point power plant without significant new electrical generation. The gas turbines would be the quickest source of significant new generation that could be sited in San Francisco.

In addition to facilitating the closure of the Hunters Point power plant the four gas turbines provide additional reliability and environmental benefits for San Francisco. The gas turbines are efficient (heat rate of 10,000 BTUs/KWh) environmentally friendly (0.19 lbs. of oxides of nitrogen/MWh) and operationally flexible (10 minute start-up time). On each of these parameters the gas turbines are superior to the existing facilities at the Potrero power plant. The larger Potrero unit 3 (207 megawatts) is less efficient (heat rate of 11,000 BTUS/KWh), more polluting (0.60 lbs of oxides of nitrogen/MWh) and slow to ramp up to full power (~ 24 hours from cold start). In addition, the gas turbines are more reliable as brand new facilities compared to a 37 year old thermal power plant that is forced out of operation approximately once every 2000 hours. Given their operational flexibility and efficiency these plants would be dispatched ahead of Potrero unit 3, thereby significantly reducing local air pollution.

Gas turbines like those provided in the Williams settlement are used in both simple cycle and combined cycle applications. They can operate reliably for more than 8000 hours per year (more than a 90 percent capacity factor). Typically, the GE LM6000 gas turbine requires a major overhaul every 40,000 hours. If the gas turbines were expected to operate for many years at high capacity factors (greater than ~30 percent) it would be efficient to add a heat recovery steam generator and a steam turbine to make the facility a combined cycle power plant.

It is possible to expand a simple cycle facility to a combined cycle power plant at a later date. However, operation as a combined cycle power plant could increase local air pollution if the number of hours the plant is used were to increase significantly for economic dispatch. It is anticipated that as a simple cycle power plant the gas turbines would only be used the number of hours they are needed for reliability purposes.

Proposed Payment Structure

The proposed payment structure of the power purchase agreement can be characterized as a cost of service payment structure. Under this structure the City would be reimbursed for the following costs associated with owning and operating a power plant: 1) debt service for construction of the power plant, 2) property costs, 3) fixed operation and maintenance costs (principally labor), 4) variable operation and maintenance costs, and 5) fuel costs.

The debt service for the power plant would be included into a monthly capacity payment from CDWR to CCSF. Such payments would be based on the rated capacity of the plant and the debt service payable on the debt and any other amounts required for reserves

under a bond indenture. The capacity payment would be made to CCSF regardless of whether the plant is operated in any given month as long as it is available for operation. This type of payment structure provides a high level of certainty that CCSF will recover the cost of developing the power plant. That degree of certainty will enable CCSF to finance the power plant on reasonable terms.

The payments for fixed and variable operation and maintenance costs will be linked to a management agreement with a qualified power plant operator plus amounts for insurance, capital improvements and CCSF administrative costs.

Process and Costs for Siting and Developing a Power Plant

Siting and developing a power plant utilizing the four combustion turbines will require the following steps: 1) identification of appropriate candidate sites, 2) review of the attributes of alternative sites and selection of a preferred site, 3) obtaining site control through a long-term lease or property purchase, 4) issuance of a competitive solicitation for an engineering, procurement and construction (EPC) contractor, 5) selection of an EPC contractor including appropriate city approvals, 6) preparation of an application for certification (AFC) to the California Energy Commission (CEC), 7) determination that the AFC is data adequate by CEC Executive Director, 8) obtain local, state and federal regulatory determinations related to air, water and land impacts, 9) complete gas and electrical interconnection studies, 10) CEC evidentiary hearings 11) CEC decision on permits, 12) execution of engineering, procurement and construction contract, 13) construction of power plant, 14) execute an operations and maintenance contract, 15) start-up and test and 16) commercial operation. Through the EPC and O&M contracts, much of the performance risk to the City could be minimized.

The costs of the project cannot be estimated until additional work on siting and development has been performed.



City and County of San Francisco
Meeting Minutes
Finance Committee

City Hall
1 Dr. Carlton B.
Goodlett Place
San Francisco, CA
94102-4689

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

Wednesday, December 11, 2002

12:30 PM

City Hall, Room 263

Regular Meeting

Members Present: Aaron Peskin, Chris Daly.

Members Absent: Sophie Maxwell.

MEETING CONVENED

The meeting convened at 12:38 p.m.

**020549 [Special Use District to allow an approved live/work project convert to residential]
Supervisor Daly**

Ordinance amending the San Francisco Planning Code by adding Section 249.23 to create the Fourth and Freelon Streets Special Use District encompassing the property zoned Service Light Industrial and bounded by Fourth Street, Freelon Street, Zoe Street and Welsh Street and by adding Section 263.16 to create special height and bulk exceptions for the Fourth and Freelon Streets Special Use District, which would allow previously approved but unbuilt live/work units to convert to market-rate residential units and additional market-rate residential units to be constructed with an allowable increase in height from 50' to 85' and a dwelling unit density governed by the permissible building envelope; provided that (i) the developer shall construct at the developer's sole expense, on land owned or purchased by the developer in either the South of Market Area or the North of Market Residential Special Use District, off-site affordable rental housing with square footage equal to 15% of the total residential units to be constructed offset by the cost of land acquisition, with a minimum of 56 units constructed of no less than 400 square feet each, (ii) the units shall be rental units affordable to low- and lower income households with income not exceeding 40% of San Francisco's median income, which shall remain affordable for 55 years or for the life of the building whichever is longer, and (iii) upon completion, the affordable housing development shall be owned, managed and operated by a nonprofit housing organization with reversion to the City if the nonprofit housing organization is dissolved.

(Companion measure to File 020550; Final Environmental Impact Report, dated September 7, 2000)
(12/9/02 in Board: Supervisor Daly submitted a substitute ordinance bearing new title.)

(1/21/03 From Planning Department: Executive Summary hearing on January 9, 2003 with attachments;
Addendum to Final EIR dated November 7, 2002.)

4/8/02, ASSIGNED UNDER 30 DAY RULE to Transportation and Commerce Committee, expires on 5/8/2002. 4/12/02 - Transmitted to Planning Commission for public hearing and recommendation.

8/9/02, TRANSFERRED to Finance Committee.

11/14/02, RESPONSE RECEIVED. (From Planning Department, Addendum to Final Environmental Impact Report, dated November 7, 2002)

11/20/02, CONTINUED. Heard in Committee. Speakers: Sue Hestor; Theodore Lakey, Deputy City Attorney; Supervisor McGoldrick; Gabriel Metcalf, Deputy Director, SPUR and Housing Action Coalition; Antoinetta Stadlman; Randy Shaw, Tenderloin Housing Clinic; Joe O'Donohue; Alice Barkley, Attorney for Property Owner; Sam Dodge, Central City SRO Collaborative; Ernest Bush; Mark Ellinger, Central City SRO Collaborative; Oscar McKinney; Joanna Hagerty; Delphine Brody, Tenant Advocate, Mental Health Association; Otto Duffy, Tom Waddell Health Center Advisory Board; Orville Luster, Executive Director, Youth for Service; Thomas LeRoux, President of Board, Youth for Service; Samuel Devore, Metropolitan Fresh Start Drug Rehab. Project; Mary Rogers; Lucian Blazej, Strategic Solutions; Joe Cassidy, Project Sponsor; Manny Flores, Carpenters Union, Local 22; Charles Breidinger; Charles Moore. Continued to Special Meeting on Tuesday, November 26, 2002, at 3:00 p.m.

11/26/02, CONTINUED. Heard in Committee. Speakers: Jean-Paul Samaha, Senior Policy Analyst and Liaison to Board of Supervisors, Planning Department; Paul Lord, Planning Department; Miriam Chion, Planning Department; Supervisor McGoldrick; Judith Boyajian, Deputy City Attorney; Joe Cassidy; Lucian Blazej; Randy Shaw; Alice Barkley; Robert Scott; Edward Kaplan, Kaplan Architects; Nathan Pahucki; Chris Slattery; David Lewis; Paul Homchick; Elizabeth Dodd; Theodore Lakey, Deputy City Attorney; Andy Sills; Jeff Gotelli; Michael Nulty, Tenant Associations Coalition; Weldon Jackson; Sam Dodge, Central City SRO Collaborative; Samuel Lagasca; Delphine Brody, Central City SRO Collaborative; Anna Pahucki; Randy Shaw, Tenderloin Housing Clinic; Anna Bolton-Arguello; Madeleine Heinser; Gen Fujioka, Asian Law Caucus; Angelene O'Loughlin; Anndio Davis; Calvin Welch; Sue Hestor; Male Speaker; Joe O'Donohue, Residential Builders; John Bardis.

Continued to 12/11/02.

12/9/02, ASSIGNED to Finance Committee.

12/9/02, SUBSTITUTED. Supervisor Daly submitted a substitute ordinance bearing new title.

12/10/02, REFERRED TO DEPARTMENT. Referred to Planning Commission for public hearing and recommendation.

Heard in Committee. Speakers: Male Speaker; Judy Berkowitz; Chris Slattery; Christine Konkel; Male Speaker; Bruce Prescott; Male Speaker; Joe O'Donohue; Female Speaker; Haro Shakudo.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Peskin, Daly

Absent: 1 - Maxwell

020550 [Zoning Map Amendment]**Supervisor Daly**

Ordinance amending the San Francisco Planning Code by amending the Zoning Map of the City and County of San Francisco to change the use classification and the height and bulk designation of the property zoned Service Light Industrial and bounded by Fourth Street, Freelon Street, Zoe Street and Welsh Street.

(Final Environmental Impact Report, dated September 7, 2000)

(12/9/02 in Board: Supervisor Daly submitted a substitute ordinance bearing same title.)

4/8/02, ASSIGNED UNDER 30 DAY RULE to Transportation and Commerce Committee, expires on 5/8/2002. 4/12/02 - Transmitted to Planning Commission for public hearing and recommendation.

8/9/02, TRANSFERRED to Finance Committee.

11/14/02, RESPONSE RECEIVED. (From Planning Department, Addendum to Final Environmental Impact Report, dated November 7, 2002)

11/20/02, CONTINUED. Heard in Committee. Speakers: Sue Hestor; Theodore Lakey, Deputy City Attorney; Supervisor McGoldrick; Gabriel Metcalf, Deputy Director, SPUR and Housing Action Coalition; Antoinetta Stadlman; Randy Shaw, Tenderloin Housing Clinic; Joe O'Donohue; Alice Barkley, Attorney for Property Owner; Sam Dodge, Central City SRO Collaborative; Ernest Bush; Mark Ellinger, Central City SRO Collaborative; Oscar McKinney; Joanna Hagerty; Delphine Brody, Tenant Advocate, Mental Health Association; Otto Duffy, Tom Waddell Health Center Advisory Board; Orville Luster, Executive Director, Youth for Service; Thomas LeRoux, President of Board, Youth for Service; Samuel Devore, Metropolitan Fresh Start Drug Rehab. Project; Mary Rogers; Lucian Blazej, Strategic Solutions; Joe Cassidy, Project Sponsor; Manny Flores, Carpenters Union, Local 22; Charles Breidinger; Charles Moore.

Continued to Special Meeting on Tuesday, November 26, 2002, at 3:00 p.m.

11/26/02, CONTINUED. Heard in Committee. Speakers: Jean-Paul Samaha, Senior Policy Analyst and Liaison to Board of Supervisors, Planning Department; Paul Lord, Planning Department; Miriam Chion, Planning Department; Supervisor McGoldrick; Judith Boyajian, Deputy City Attorney; Joe Cassidy; Lucian Blazej; Randy Shaw; Alice Barkley; Robert Scott; Edward Kaplan, Kaplan Architects; Nathan Pahucki; Chris Slattery; David Lewis; Paul Homchick; Elizabeth Dodd; Theodore Lakey, Deputy City Attorney; Andy Sills; Jeff Gotelli; Michael Nulty, Tenant Associations Coalition; Weldon Jackson; Sam Dodge, Central City SRO Collaborative; Samuel Lagasca; Delphine Brody, Central City SRO Collaborative; Anna Pahucki; Randy Shaw, Tenderloin Housing Clinic; Anna Bolton-Arguello; Madeleine Heinser; Gen Fujioka, Asian Law Caucus; Angelene O'Loughlin; Ando Davis; Calvin Welch; Sue Hestor; Male Speaker; Joe O'Donohue, Residential Builders; John Bardis.

Continued to 12/11/02.

12/9/02, SUBSTITUTED. Supervisor Daly submitted a substitute ordinance bearing same title.

12/9/02, ASSIGNED to Finance Committee.

12/10/02, REFERRED TO DEPARTMENT. Referred to Planning Commission for public hearing and recommendation.

Heard in Committee. Speakers: Male Speaker; Judy Berkowitz; Chris Slattery; Christine Konkel; Male Speaker; Bruce Prescott; Male Speaker; Joe O'Donohue; Female Speaker; Haro Shakudo.

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Peskin, Daly

Absent: 1 - Maxwell

021752 [Reserved Funds, Department of Children, Youth and their Families]

Hearing to request release of reserved funds, Department of Children, Youth and their Families, fiscal year 2002-03 budget, in the amount of \$700,000 to fund programs for the community-based organizations. (Mayor) 10/31/02, RECEIVED AND ASSIGNED to Finance Committee.

11/13/02, CONTINUED. Heard in Committee. Speakers: Brenda Lopez, Director, Department of Children, Youth and Their Families; Supervisor Sandoval; Margaret Brodtkin, Director, Coleman Advocates for Children and Youth. Continued to 11/20/02.

11/20/02, CONTINUED. Heard in Committee. Speakers: Brenda Lopez, Director, Department of Children, Youth and Their Families; Supervisor Sandoval. Continued to 12/4/02.

12/4/02, CONTINUED. Speakers: None. Continued to 12/11/02.

Heard in Committee. Speakers: Brenda Lopez, Director, Department of Children, Youth and Their Families; Supervisor Sandoval; Sharon Dolan, Executive Director, Health Initiatives for Youth; Sally Larkin, Friends of St. Francis Child Care Center; Donna Cahill, San Francisco Child Care Provider Association. Release of reserved funds in the amount of \$700,000 approved.

APPROVED AND FILED by the following vote:

Ayes: 2 - Peskin, Daly

Absent: 1 - Maxwell

021324 [Airport Concession Lease]

Resolution approving the Domestic Terminals Automated Teller Machine Lease A between Wells Fargo Bank, N.A. and the City and County of San Francisco, acting by and through its Airport Commission. (Airport Commission)

(Public Benefit Recipient.)

8/7/02, RECEIVED AND ASSIGNED to Finance Committee.

8/21/02, CONTINUED. Heard in Committee. Speakers: Harvey Rose, Budget Analyst; Cathy Widener, Governmental Affairs Administrator, Airport; Theodore Lakey, Deputy City Attorney; Andre Spearmon, SEIU, Local 790. Continued to 9/25/02.

9/25/02, CONTINUED TO CALL OF THE CHAIR. Speakers: None.

Heard in Committee. Speakers: Cathy Widener, Airport; Harvey Rose, Budget Analyst.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Daly

Absent: 1 - Maxwell

021914 [Laguna Honda Replacement Project]**Supervisor Hall**

Ordinance authorizing the Director of Public Works (Director) to issue a competitive request for proposals (RFP) for the services of a Construction Manager-At-Risk (CM-at-Risk) for the Laguna Honda Hospital Replacement Project, and to award a contract for such services based on best qualifications; further authorizing the Director to modify and approve the assignment of the City's current professional services contract for construction management services with Turner Construction Company/Cooper Pugeda Management, Inc., a joint venture (Turner/CPM, JV) to Cooper Pugeda Management, Inc. (CPM); and to permit Turner Construction Company to participate in the RFP for the services of a CM-at-Risk.

(No Public Benefit Recipient.)

11/18/02, RECEIVED AND ASSIGNED to Public Works and Public Protection Committee.

11/22/02, TRANSFERRED to Finance Committee. Sponsor requests this item be heard on December 11, 2002.

Heard in Committee. Speakers: Michael Lane, Manager for Laguna Honda Budget, Department of Public Works; Harvey Rose, Budget Analyst; Roger Brandon.

AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, Daly

Absent: 1 - Maxwell

021504 [Prevailing rate of wage and displaced worker protection for workers employed in public off-street parking lots, garages, or storage facilities for automobiles on property owned or leased by the CCSF] Supervisors Ammiano, Daly, Peskin

Ordinance adding Section 21.25-2 to the Administrative Code to require that workers employed in public off-street parking lots, garages, or storage facilities for automobiles on property owned or leased by the City and County of San Francisco be paid the prevailing rate of wage and that such workers will have job protection with the successor contractor for a transition period after a lease, management agreement or other contractual arrangement is terminated.

8/26/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 9/25/2002.

9/13/02, REFERRED TO DEPARTMENT. Referred to Small Business Commission for comment and recommendation.

10/28/02, SUBSTITUTED. Supervisor Leno submitted a substitute ordinance bearing same title.

10/28/02, ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Donna Levitt, Labor Standards Enforcement Officer; Mark Gleeson, President, Teamsters, Local 665.

Amended on page 7, line 22, by replacing "may" with "shall."

Supervisor Peskin added as co-sponsor.

AMENDED.

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, Daly

Absent: 1 - Maxwell

021920 [HOME Program Funds]**Mayor, Supervisor Gonzalez**

Resolution approving amendments to procedures for allocating federal home program funds. (Mayor)

11/18/02, RECEIVED AND ASSIGNED to Finance Committee.

*Heard in Committee. Speakers: Joe La Torre; Alicia Klein.***RECOMMENDED by the following vote:**

Ayes: 2 - Peskin, Daly

Absent: 1 - Maxwell

021974 [Issuance of Clean Water Revenue Bonds, 2003 Refunding Series A]

Resolution approving the issuance of not to exceed \$485,000,000 aggregate principal amount of Clean Water Revenue Bonds, 2003 Refunding Series A to be issued by the Public Utilities Commission of the City and County of San Francisco; and authorizing the taking of appropriate actions in connection therewith and related matters. (Public Utilities Commission)

(No Public Benefit Recipient.)

12/4/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the December 11, 2002 meeting.

*Heard in Committee. Speaker: Bill Berry, Assistant General Manager for Services, Public Utilities Commission.***AMENDED.**

Resolution approving the issuance of not to exceed \$462,660,000 aggregate principal amount of Clean Water Revenue Bonds, 2003 Refunding Series A to be issued by the Public Utilities Commission of the City and County of San Francisco; provided that issuance of the bonds would result in net debt service savings of at least 3 percent or \$12,028,350; and authorizing the taking of appropriate actions in connection therewith and related matters. (Public Utilities Commission)

(No Public Benefit Recipient.)

RECOMMENDED AS AMENDED by the following vote:

Ayes: 2 - Peskin, Daly

Absent: 1 - Maxwell

021126 [Third Amendment to Lease of SFPUC Property for Operation of a Gravel Quarry]

Resolution authorizing a Third Amendment to Lease of Public Utilities Commission Land between the City and County of San Francisco and Santa Clara Sand and Gravel, in Alameda County. (Public Utilities Commission)

6/18/02, RECEIVED AND ASSIGNED to Finance Committee.

10/10/02, SUBSTITUTED. Public Utilities Commission submitted a substitute-resolution bearing same title.

10/10/02, ASSIGNED to Finance Committee.

*Speakers: None.***CONTINUED TO CALL OF THE CHAIR by the following vote:**

Ayes: 2 - Peskin, Daly

Absent: 1 - Maxwell

021878 [Lease of City Owned Real Property]

Resolution authorizing the lease of 2,686 sq. ft. of space at the Main Library to the Friends and Foundation of the San Francisco Public Library. (Real Estate Department)

(Public Benefit Recipient.)

11/20/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Susan Hildreth, City Librarian; Harvey Rose, Budget Analyst; Mr. Chafee; Deborah Doyle, Chair, Friends and Foundation of the San Francisco Public Library; Peter Warfield; Marquine Gomez, Executive Director, Friends and Foundation of the San Francisco Public Library; Theodore Lakey, Deputy City Attorney; Monique Zmuda, Controller's Office.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Daly

Absent: 1 - Maxwell

021882 [Lease of City Owned Real Property]

Resolution authorizing the lease of 387 sq. ft. of space at the Main Library to the Friends and Foundation of the San Francisco Public Library for the operation of a bookstore. (Real Estate Department)

(Public Benefit Recipient.)

11/20/02, RECEIVED AND ASSIGNED to Finance Committee.

Heard in Committee. Speakers: Susan Hildreth, City Librarian; Harvey Rose, Budget Analyst; Mr. Chafee; Deborah Doyle, Chair, Friends and Foundation of the San Francisco Public Library; Peter Warfield; Marquine Gomez, Executive Director, Friends and Foundation of the San Francisco Public Library; Theodore Lakey, Deputy City Attorney; Monique Zmuda, Controller's Office.

RECOMMENDED by the following vote:

Ayes: 2 - Peskin, Daly

Absent: 1 - Maxwell

021980 [Reserved Funds, Mayor's Office of Community Development]

Hearing to consider release of reserved funds, Mayor's Office of Community Development (Resolution No. 121-98), in the amount of \$419,000 for the "Construction and Maritime Skills Training Center," a joint MOCD and City College construction project at 1400 Evans Avenue. (Mayor)

12/4/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the December 4, 2002 meeting.

Heard in Committee. Speaker: Peter Goldstein, Vice Chancellor for Administration, San Francisco Community College District.

Release of reserved funds in the amount of \$419,000 approved.

APPROVED AND FILED by the following vote:

Ayes: 2 - Peskin, Daly

Absent: 1 - Maxwell

ADJOURNMENT

The meeting adjourned at 3:25 p.m.

25
/02
[Budget Analyst Report]

Susan Hom

Main Library-Govt. Doc. Section

CITY AND COUNTY



OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

December 5, 2002

TO: Finance Committee

DOCUMENTS DEPT.

FROM: Budget Analyst

DEC 16 2002

SUBJECT: December 11, 2002 Finance Committee Meeting

SAN FRANCISCO
PUBLIC LIBRARY

Item 3 - File 02-1752

Note: This item was continued by the Finance Committee at its meeting of December 4, 2002.

Department: Department of Children, Youth and Their Families (DCYF)

Item: Hearing to request the release of reserved funds in the amount of \$700,000 to fund programs for nonprofit Community-based organizations.

Amount: \$700,000

Source of Funds: General Fund monies appropriated and reserved by the Board of Supervisors in the DCYF FY 2002-2003 budget.

Description: In the FY 2002-2003 budget, the Board of Supervisors appropriated \$1,700,000 for the DCYF to be used for nonprofit community-based organizations. Of the \$1,700,000 appropriation, the Board of Supervisors specifically added \$700,000 to the Mayor's Recommended FY 2002-2003 budget to fund community-based organizations, which the Department is now requesting be released.

According to Mr. Ken Bukowski of DCYF, the entire \$1,700,000 will be allocated to nonprofit community-based organizations for one-time needs. The nonprofit community-based organizations are being selected through a single competitive Request for Proposals (RFP) process. The attached memorandum (Attachment I) provided by Ms. Nani Coloretti of DCYF contains (a) additional background information on this subject request for the release of \$700,000, (b) a description of the RFP process, and (c) a description of the process used to select the nonprofit community-based organizations to receive allocations from the total available funds of \$1,700,000.

Comments:

1. According to Mr. Bukowski, DCYF received responses to its RFP from the 189 nonprofit community-based organizations listed in Attachment II. Such requests total \$10,810,033 or \$9,110,033 more than the available funding of \$1,700,000.
2. In the professional judgement of the Budget Analyst, the subject reserved funds in the amount of \$700,000 should not be released until the DCYF has submitted a report to the Board of Supervisors which fully accounts for the entire \$1,700,000 Board of Supervisors appropriation. This report should include (a) identification of the nonprofit community-based organizations selected, (b) the amount of the allocation to each nonprofit community-based organization, and (c) a description of the proposed expenditures for each non-profit community-based organization.
3. At the request of the Finance Committee, DCYF has provided additional information directly to the Committee.

Recommendation:

Approval of the requested release of \$700,000 is a policy matter for the Finance Committee.

BOARD OF SUPERVISORS
BUDGET ANALYST



YOUTH AND THEIR FAMILIES

Brenda Lopez
Director

DATE: November 7, 2002
TO: Budget Analyst
FROM: Nani Coloretti, Director of Budget and Planning
SUBJECT: Request to Release Reserved Funds

Pursuant to your request, the Department of Children, Youth and Their Families (DCYF) hereby submits this memorandum in support of its request to release reserve funds in the amount of \$700,000 to fund nonprofit community-based programs.

History and Proposed Use of DCYF Reserved Funds

During the FY 2002-2003 appropriation process, \$700,000 of the general fund monies appropriated to DCYF was placed on reserve pursuant to an amendment introduced by Supervisor Sandoval during the Board of Supervisors' review of the budget. Our understanding is that the primary reason for placing the \$700,000 on reserve was to allow for a more public process to determine the best way to expend the funds, rather than rely on the more limited decision-making process of considering specific add-back requests made to individual Supervisors. Thus, \$700,000 was placed on reserve for the purpose of supporting citywide programs for children and youth, with the understanding that the funds would be released after DCYF obtained additional community input as to the best way to target expenditure of these monies.

Having completed a discussion among various stakeholders as to the best way to expend the \$700,000 placed on reserve, DCYF now requests release of these funds so they may be expended (along with \$1,000,000 in Children's Fund dollars) on grants to community-based organizations that have one-time expenditure needs. The decision to utilize the reserve funds and Children's Fund dollars in this manner is based on input provided from our Community Needs Assessment and meetings of the Children's Fund Citizen's Advisory Committee. The input received from various children and youth stakeholders through this public process helped DCYF determine the funding areas to prioritize for both the reserved funds (\$700,000) and the additional Children's Fund dollars (\$1,000,000).

Process Used for Determining Community-Based Organizations to Receive Funding

DCYF issued a Request for Proposals (RFP) on September 10, 2002, requesting proposals from community-based organizations which had one-time expenditure needs such as: operational shortfalls due to loss of funding (short term stabilization assistance to maintain services with identified future funding sources), agency capacity building (e.g. fundraising, strategic planning), capital expenditures (renovations), transportation, furniture/fixtures or one-time events. Availability of the RFP was advertised in the Independent, through the Board of Supervisors, on DCYF's website and with a mailing to approximately 2,000 youth and children service contacts maintained by DCYF. The RFP provided that agencies serving children, youth and families could request up to \$75,000 for one-time use in the areas detailed above.

Responses to the RFP were due by September 30, 2002. DCYF received 189 complete proposals in response to the RFP, with the requests for one-time funding cumulatively totaling more than \$10 million. In

order to determine which community-based organizations would be selected to receive grants, DCYF utilized a citizen review team. The review team, which included members of the Children's Fund Citizens' Advisory Committee and people with expertise in youth services and budgeting, ranked each proposal and made consensus recommendations to DCYF. All proposals were scored on:

- ✓ Completion of all required forms and adherence to submission instructions;
- ✓ Compelling statement of need;
- ✓ Linkage of expense to improved program delivery;
- ✓ Reasonable budget.

DCYF staff reviewed the recommendations of the citizen review team to ensure that there was geographic, population and service diversity in the proposed funding allocation. DCYF may also use interviews and site visits as evaluation methods prior to awarding contracts.

DCYF has completed the process of reviewing the 189 proposals received in response to the RFP. We are awaiting the release of the reserved funds before announcing individual grant amounts and entering into contract negotiations with the organizations. However, the grant selection process for the Children's Fund dollars has been completed in order to ensure this funding can be utilized by community organizations at the earliest possible date.

Request to Release Reserve Funds

During budget discussions earlier this year, Board of Supervisors members indicated that it was better public policy for expenditure decisions to be based on a public process that examined neighborhood needs and gaps in services rather than specific add-back requests to individual Supervisors. Thus, \$700,000 in general fund monies appropriated to DCYF was placed in reserve so that DCYF could receive additional input from community stakeholders and determine the best use of these funds. As requested, DCYF has conducted this process by utilizing the extensive community input that was part of the Community Needs Assessment and by determining priority needs with the assistance of the Children's Fund Children's Advisory Committee. This process resulted in a decision to fund one-time expenditures of community-based organizations based on a competitive RFP process to decide which specific organizations would receive funding.

The recommendation of the Budget Analyst that a detailed list of proposed grantees and grant amounts be made public (and open to debate) prior to the release of the reserved funds would appear to defeat the policy intent of the Board in seeking to ensure the use of these funds was decided based on a public process that broadly examined community needs. The release of a proposed grantee list would likely result in individual organizations that have not have been selected for funding through this competitive process demanding that their specific requests now be considered outside of the public process that has already taken place. Reopening the process in this manner would not appear to be supported by the policy discussion that occurred when these funds were initially placed on reserve.

It is also important that there be no further delay in allocating these funds to community-based organizations, particularly considering that many of the requests were for funds to ensure that services to children and youth would not be cut back during this fiscal year. It is in the best interest of maintaining children and youth services that the release of these funds be expedited so that the money can get out into the community to meet the immediate needs, such as those articulated by community-based organizations at the October Finance Committee meeting.

Thank you for your assistance in expediting the release of these funds so we can address the critical needs in our communities.

List of 189 Organizations Requesting One-Time Funds from DCYF

Agency Name	Request Amount
A Home Away From Homelessness	\$45,000
African American Art and Culture Complex	\$75,000
After School Enrichment Program	\$41,782
Alemany Resident Mgmt. Corp.	\$75,000
Allen Community Development Corp.	\$75,000
Ark of Refuge, Inc	\$75,000
Asian Perinatal Advocates	\$75,000
Asian Women's Shelter	\$75,000
Back on Track	\$51,375
Bay Area Girls Center	\$35,000
Bay Area Network for Diversity Teaching in Early	\$62,317
Bayview Hunter Point Foundation for Com. Imp.	\$57,809
Bayview Opera House, Inc.	\$75,000
Bernal Heights Neighborhood Center	\$63,275
Booker T. Washington Community Service Ctr.	\$75,000
Brava! For Women in the Arts	\$74,972
Brothers Against Guns, Inc	\$75,000
California Community Dispute Services	\$45,510
California Lawyers for the Arts	\$53,625
CARECEN	\$75,000
Career Resources Development Center	\$41,159
Center for Human Development	\$44,585
Center for Young Women's Development	\$67,372
Charity Cultural Services Center	\$9,562
Child Care Law Center	\$74,980
Children of Lesbians & Gays Everywhere COLAGE	\$56,490
Children's Day School, Inc.	\$74,180
Chinatown Community Development Center	\$55,000
Civic Center Child Care Corporation	\$75,000
Community Alliance for Special Education	\$13,750
Community Brd Prgrm Juv. Victim Offender (JVORP)	\$75,000
Community Housing Partnership	\$41,000
Community Music Center	\$70,056
Community Network for Youth Development	\$50,000
Community Works	\$40,822
Compass Community	\$24,922
Cross Cultural Family Center	\$75,000
Donaldina Cameron House	\$56,256
Economic Opportunity Council of San Francisco	\$75,000
Edgewood Center for Children and Families	\$75,000
Ella Hill Hutch Community Center	\$74,842
Enterprise for High School Students	\$48,060
Everychild Can Learn Foundation	\$74,970
Family Restoration House	\$75,000
Family Service Agency of San Francisco	\$56,919
Family Support Services of the Bay Area	\$29,750
Filipino American Arts Exposition	\$67,600
Florence Crittenton Services	\$75,000
FranDelJA Enrichment Center	\$75,000

Friends of Recreation and Parks	\$63,169
Friends of St. Francis Childcare Center	\$75,000
Gateway High School	\$58,967
Gatinell's Tender Loving Care Residence	\$75,000
Girls After School Academy	\$75,000
GirlSource, Inc.	\$34,360
Glenridge Cooperative Nursery School	\$7,220
Glide Foundation/Gilde Memorial United Methodists	\$74,955
Good Samaritan Family Resource Center	\$43,155
Gum Moon Residence Hall	\$44,165
Health Initiatives for Youth	\$49,916
Hearing Society of the Bay Area, Inc.	\$22,326
Holy Family Day Homes of San Francisco	\$73,119
Homeless Children's Network	\$74,745
Homeless Prenatal Program (HPP)	\$63,000
Horizons Unlimited of San Francisco, Inc.	\$30,450
Huckleberry Youth Programs	\$50,000
Hunters Point Boys & Girls Club	\$62,650
Idris Ackamoor and Cultural Odyssey	\$75,000
Indochinese Housing Development Corporation	\$75,000
Infant toddler Consortium	\$53,000
Inner City Youth	\$75,000
James Lick Middle School PTSA	\$68,000
Jamestown Community Center	\$56,000
Japanese Community Youth Council	\$29,000
Jewish Family and Children's Services	\$75,000
Jewish Vocational & Career Counseling Service	\$40,000
Juma Ventures	\$75,000
Kai Ming, Inc.	\$75,000
Kids' Turn	\$32,500
Korean American Women Artists & Writers Association	\$70,000
La case De las Madres	\$20,640
Larkin Street Youth Services	\$75,000
Lavender Youth Recreation & Info Center LYRIC	\$64,029
Leadership High School	\$30,000
Legal Services for Children	\$65,555
Literacy for Environmental Justice	\$75,000
Little Children's Development Center	\$75,000
Men Overcoming Violence (MOVE)	\$50,100
Miraloma Nursery School	\$75,000
Mission Cultural Center for Latino Arts	\$66,872
Mission Area Health Associates, Inc. dba MNHC	\$74,998
Mission Child Care Consortium	\$75,000
Mission Dolores School	\$75,000
Mission Education Projects Inc.	\$31,485
Mission Housing Develop. Corp. (MHDC)	\$75,000
Mission Language and Vocational School, Inc.	\$74,857
Mission Learning Center	\$76,800
Mission Neighborhood Centers, Inc.	\$75,000
Mission Youth Soccer League	\$74,850
Moss Beach Homes, Sunset Neigh. Beacon Center	\$34,890
Multicultural Educational, Training & Advocacy	\$8,500
Music in schools today	\$43,948

Musical Theatre Works	\$7,000
New Direction 21st Century	\$75,000
NICOS Chinese Health Coalition	\$75,000
Nihonmachi Legal Outreach dba Asian Pac. Islander	\$70,499
Nihonmachi Little Friends	\$75,000
Northern California Council for the community	\$52,851
Northern California Service League	\$55,000
Ohihoff Recovery Programs	\$31,485
Omega Boys Club	\$75,000
Our Kids First	\$38,461
Pacific News Services	\$74,748
Parent Voices	\$61,200
Parents for Public schools of San Francisco	\$20,475
Parents helping Parents San Francisco	\$68,228
Philippine Resource Center	\$31,500
Playtime Center	\$75,000
Polly's Family Support Center	\$75,000
Private Industry Council	\$75,000
PTA Cal. Cngrss of Parents, Teach, Stud. Alvarado	\$40,400
Recreation Center for the handicapped	\$32,250
Renaissance Parents of Success	\$75,000
Richmond District Neighborhood Center	\$17,504
SF Arts Education Project	\$75,000
SF Bar Association Volunteer Legal Services Prog.	\$31,655
SF Brown Bombers POP Warner Club, Inc.	\$74,970
SF Conservation Corps	\$62,835
SF Council of Parent Participation Nursery Schools	\$5,700
SF Court Appointed Special Advocates	\$75,000
SF Educational Fund	\$27,254
SF General Hospital Foundation	\$75,000
SF League of Urban Gardeners (SLUG)	\$74,921
SF School Volunteer	\$4,777
SF Starting Points Initiative	\$74,000
SF Study Center	\$68,275
SF Urban Service Project	\$20,000
SF Women Against Rape	\$32,340
SF Women's Centers, Inc.	\$20,000
SFHA Housing Corporation	\$74,667
SFSU Foundation Inc.	\$66,250
SFSU Foundation, Inc.	\$75,686
SFSU Foundation--Mission Science Wrkshops	\$44,461
Soul'd Out Productions	\$75,000
South of Market Child Care, Inc.	\$72,186
Southwest Community Corporation	\$75,000
St. Francis Memorial Hospital, Rally Family Vlsit.	\$53,166
St. John's Educational Threshold Center-YouthSpace	\$75,000
St. John's Educational Thresholds Center	\$34,925
St. Vincent de Paul Society	\$70,670
Stern Grove Festival Asociation	\$25,000
Streetside Stories, Inc.	\$14,760
Sunset Youth Services	\$71,000
Support for Families of Children with Disabilities	\$50,841
Telegraph Hill Neighborhood Association	\$41,193

Tenderloin Neighborhood Development Corporation	\$23,570
The Children's Psychological Health Ctr.	\$27,830
The Community Center Project of San Francisco, Inc	\$71,084
The International Institute of San Francisco	\$50,000
The Korean Center, Inc.	\$74,841
The Regents of the University of California	\$33,090
The San Francisco Child Abuse Prevention Center	\$66,267
The Young Scholars Program	\$65,000
Tides Center -- Oasis	\$63,585
Tides Center/Infusion-One	\$75,000
United way of the Bay Area	\$10,000
Vietnamese Youth Development Center	\$34,026
Visitation Valley Community Center	\$74,100
Visitation Valley Job, Education and Training	\$72,638
Voice Over Video Network (dbaTILT)	\$66,434
Wah Mei School	\$10,000
Wajumbe Cultural Institution, Inc.	\$75,000
Walden House, Inc.	\$62,892
West Bay Pilipino Multi-Service, Inc.	\$36,435
Westside Community Mental Health Center, Inc.	\$75,000
Whitney Young Child Development Centers, Inc.	\$72,400
World Arts West	\$74,314
Wu Yee Children's Center	\$75,000
YMCA -- Bayview Hunter's Point	\$75,000
YMCA -- Chinatown	\$75,000
YMCA -- Embarcadero	\$24,339
YMCA -- Richmond District	\$45,570
YMCA -- Shih Yu-Lang Central of San Francisco	\$51,600
YMCA -- Stonestown Family YMCA	\$73,416
YMCA -- Urban Services	\$53,130
YMCA of San Francisco -- Mission Branch	\$65,314
YMCA of SF (Buchanan YMCA)	\$20,000
Young Community Developers, Inc.	\$75,000
Youth Guidance Center Improvement Committee	\$73,863
Total Amount Requested	\$10,810,033
Average Request (\$10,810,033/189)	\$57,196

Item 4 - File 02-1324

Note: This item was continued by the Finance Committee at its meeting of August 21, 2002, pending further negotiations with Wells Fargo Bank, N.A. regarding the authority of Wells Fargo Bank to terminate the proposed lease.

Department: Airport

Item: Resolution approving the Domestic Terminals Automated Teller Machine Lease A between Wells Fargo Bank, N.A. and the City and County of San Francisco, acting by and through its Airport Commission, for the operation of ten automatic teller machines (ATMs) at the Airport's North and South Terminals and the Airport's Rental Care Facility.

Location: The North and South Terminals and the Rental Car Facility, San Francisco International Airport

Purpose of Lease: The proposed new five year and 90 day lease would provide space at ten locations throughout the Airport's North and South Terminals and the Airport's Rental Car Facility to Wells Fargo Bank, N.A. to operate one automated teller machine (ATM) at each of the ten different locations. These ten ATMs would operate 24 hours per day, seven days a week at the locations listed in Attachment I provided by the Airport.

Lessor: City and County of San Francisco, acting by and through its Airport Commission.

Lessee: Wells Fargo Bank, N.A., a California corporation

**Annual Rental
Revenues Payable by
Wells Fargo Bank to
the Airport:**

Minimum Annual Guarantee (MAG) of \$282,000, to be adjusted annually by the percentage increase in the Consumer Price Index's "All Urban Consumers - Other Goods and Services" index and in accordance with enplanement data as specified in the proposed lease. In no event would the MAG be less than the prior year's amount. In addition to the MAG, Wells Fargo Bank would pay the Airport:

BOARD OF SUPERVISORS
BUDGET ANALYST

- A percentage rent of 33 percent of any commission, surcharge, or other fee charged by Wells Fargo Bank to an ATM customer.
- A transaction rent of \$0.10 for each customer use of a Wells Fargo Bank ATM.¹
- A promotional charge of \$1.00 per square foot per year, if the Airport launches an Airport marketing and promotional campaign.

According to Mr. David Pfeiffer of the Airport, under the existing lease between the Airport and Wells Fargo Bank, N.A., which began on February 16, 1998, Wells Fargo Bank will pay the Airport, for the last year of the lease, from February 16, 2002 to February 15, 2003, (a) the required MAG of \$204,234, and (b) a percentage and transaction rent estimated at \$114,038, for a total estimated payment by Wells Fargo Bank to the Airport of \$318,272.

As stated above, under the proposed lease, Wells Fargo Bank is required to the pay the Airport a MAG of \$282,000 for the first year of the proposed lease. Mr. Pfeiffer advises that the Airport is unable to estimate the amount of the percentage and transaction rent for the first year of the proposed lease payable by Wells Fargo Bank to the Airport because of the current uncertain economic conditions.

The MAG of \$282,000 for the proposed lease to operate ten ATMs is \$77,766 or approximately 38.1 percent more than the MAG of \$204,234 for the last year of the existing lease to operate ten ATMs.

Term of Lease:

The proposed lease would be for a term of five years and up to an additional 90 days for initial construction of required tenant improvements, commencing no earlier than February 16, 2003.

Right of Renewal:

The Airport would have sole discretion to grant two one-year extensions.

¹ The transaction rent would not be payable with respect to (a) commissions, surcharges, or other fees on which percentage rent is payable, and (b) ATM customer transactions which are aborted.

Utilities and Janitor

Provided by Lessor: Wells Fargo Bank would pay for the cost of all utilities and janitorial services.

Tenant

Improvements: Wells Fargo Bank is required to spend at least \$250 per ATM location to renovate its ten existing ATM locations within 90 days, for a total estimated cost of at least \$2,500².

Description: On May 7, 2002, the Airport Commission authorized Airport staff to accept competitive bids to operate a total of ten ATMs in the Airport's North and South Terminals and the Airport's Rental Car Facility (Domestic Terminals ATM Lease A³). Subsequently, on July 9, 2002, the Airport Commission awarded Lease A to Wells Fargo Bank, N.A., as the highest responsive and qualified bidder, with a MAG of \$282,000 for the first year of the lease. Under the proposed lease, Wells Fargo Bank would operate ten ATMs, each one at a different location throughout the Airport's North and South Terminals and at the Airport's Rental Car Facility.

Comments: 1. According to Mr. Pfeiffer, the Airport sent Invitations to Bid for the subject lease to 304 firms. The Airport had required a minimum MAG bid amount of \$180,000. The percentage rent and the transaction rent payable by the lessee were set by the Airport and were therefore the same for all bidders. According to Mr. Pfeiffer, seven potential bidders attended the Airport's pre-bid conference held on April 17, 2002. Subsequently, two firms submitted a bid: (a) Wells Fargo Bank with a MAG of \$282,000 (\$102,000 more than the Airport's required

² This amount of \$250 does not include the costs to Wells Fargo Bank of purchasing and installing the ATMs themselves.

³ According to Mr. David Pfeiffer of the Airport, Domestic Terminals ATM Lease B is for five ATM locations at the Airport. The Airport required a MAG of no less than \$95,000. Domestic Terminals ATM Lease B was awarded to the Union Bank of California which bid a MAG of \$120,000 per year for five years, with two one-year options. According to Ms. Adrienne Go of the City Attorney's Office, Domestic Terminals ATM Lease B does not require Board of Supervisors approval because the projected revenue generated by the contract is less than \$1,000,000 over the term of the contract. \$1,000,000 in revenues is the threshold specified in Charter Section 9.118 for Board of Supervisors approval of revenue-generating contracts and leases.

MAG of \$180,000), and (b) Union Bank of California with a MAG of \$250,000 (\$70,000 more than the Airport's required MAG of \$180,000). As previously noted, the MAG of \$282,000 for the proposed lease is \$77,766 or approximately 38.1 percent more than the MAG of \$204,234 for the last year of the Airport's existing lease with Wells Fargo Bank, which expires on February 15, 2003.

2. In November of 1999, voters approved Proposition F prohibiting financial institutions from imposing surcharges on ATM customers. According to Ms. Adrienne Go of the City Attorney's Office, Section 2.5 of the proposed lease provides that if and when Proposition F is deemed by a court of competent jurisdiction to be applicable to Wells Fargo Bank's operations at the Airport, Wells Fargo Bank would have the right to terminate the lease.

3. As stated in Attachment II, provided by Ms. Cathy Widener of the Airport, at the request of the Finance Committee, the Airport resumed negotiations with Wells Fargo Bank in order to eliminate the lease provision which would enable Wells Fargo Bank to terminate the proposed lease if Proposition F is upheld by the Courts, thereby prohibiting Wells Fargo Bank from imposing surcharges on its ATM customers. Ms. Widener reports that Wells Fargo Bank declined to agree to delete the language granting Wells Fargo Bank the right to terminate the proposed lease under the provisions of Section 2.5 of the lease. Ms. Widener states in her memorandum (Attachment II) that "Because of the favorable business terms of the lease, as well as a recent decision by the United States Court of Appeals for the Ninth Circuit regarding ATM fees (attached for your review), the Airport is requesting approval of the proposed lease."

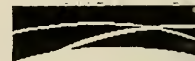
Recommendation:

Approval of the proposed resolution is a policy matter for the Board of Supervisors.

EXHIBIT A PREMISES

Approximately ten (10) ATM locations as indicated on the attached drawings.

1. Terminal 3, 2nd Level, across from Gates 70-71 (1)
2. Terminal 3, 1st Lev., Am. Airlines baggage claim, behind escalator (1)
3. Terminal Ex, United Airlines Express Terminal (1)
4. Terminal 1, 2nd Level, B/A C near Gate 42 (1)
5. Terminal 1, 1st Level, behind Carousel 7 (1)
6. Terminal 3, 2nd Level, B/A F before Gate 84 (1)
7. Terminal 3, 1st Level, near carousel 3 (1)
8. Rental Car Facility (1)
9. Terminal 1, 2nd Level, B/A C, Pre-Security (1)
10. Terminal 1, 2nd Level, B/A B across from Gate 22 (1)



San Francisco International Airport

MEMORANDUM

P.O. Box 8007
San Francisco, CA 94128
Tel 650.821.5000
Fax 650.821.5005
www.flysf.com

TO: Alan Gibson
Budget Analysts Office

FROM: Cathy Widener

SUBJECT: Domestic Terminal ATM Lease, File No. 02-1324

AIRPORT
COMMISSION
CITY AND COUNTY
OF SAN FRANCISCO

WILLIE L. BROWN, JR.
MAYOR

HENRY E. BERMAN
PRESIDENT

LARRY MAZZOLA
VICE PRESIDENT

MICHAEL S. STRUMSKY

LINDA S. CRAYTON

GARY LITO

JOHN L. MARTIN
AIRPORT DIRECTOR

At the request of the Finance Committee, Airport staff asked Wells Fargo Bank to agree to the deletion of Section 2.5 (Proposition F lease termination language) in the pending lease agreement. Wells Fargo decline to delete the language.

As the option to terminate language was part of the RFP, and the financial institutions who placed bids did so based partially on this option, the Airport is requesting that this item be considered as originally presented.

Because of the favorable business terms of the lease, as well as a recent decision by the United States Court of Appeals for the Ninth Circuit regarding ATM fees (attached for your review), the Airport is requesting approval of the proposed lease.

Thank you and please feel free to contact me should you be in need of further information.

PRIVILEGED AND CONFIDENTIAL

To: Cathy Widener
San Francisco International Airport

The purpose of this memorandum is to confirm our verbal discussions regarding Proposition F [ATM Fees] adopted by the voters in 1999 (together with the near identical ordinance adopted in Santa Monica, the "Ordinances").

Following the passage of the Ordinances, certain banks and the California Bankers Association challenged the validity of the Ordinances; the federal district court agreed with the banks, and permanently enjoined San Francisco and Santa Monica from enforcing the Ordinances.

The cities appealed the decision to the 9th Circuit Court of Appeals. On October 25, 2002, the Court ruled against the cities, agreeing with the district court's determination that the Ordinances are preempted by federal law, and confirmed the permanent injunction prohibiting the cities from enforcing the Ordinances. San Francisco now seeks to have the matter reheard by the 9th Circuit "en banc", but that procedure is subject to the discretion of the 9th Circuit. Further, San Francisco may seek to have the matter heard by the U.S. Supreme Court, but that is also discretionary.

~~~~~  
Adrienne Go, Deputy City Attorney  
650-821-5077

Item 5 – File 02-1914

**Department:** Department of Public Works (DPW)

**Item:** Ordinance authorizing the Director of Public Works (Director) to issue a competitive request for proposals (RFP) for the services of a Construction Manager-At-Risk (CM-at-Risk) for the Laguna Honda Hospital Replacement Project, and to award a contract for such services based on best qualifications. This ordinance further authorizes the DPW Director to terminate the City's current professional services contract for construction management services with Turner Construction Company/Cooper Pugeda Management, Inc., a joint venture (Turner/CPM, JV) and to assign this contract to Cooper Pugeda Management, Inc. (CPM). The ordinance permits Turner Construction Company separate from the joint venture with Cooper Pugeda Management, Inc. to participate in an RFP for a CM-at-Risk contract.

**Description:** Presently Turner Construction Company/Cooper Pugeda Management, Inc., a joint venture, is the Construction Manager for the Laguna Honda Hospital Replacement Project. The proposed ordinance would authorize DPW to issue a Request for Proposals (RFP) for a CM-at-Risk for the Laguna Honda Hospital Replacement Project. The CM-at-Risk does not replace a Contract Management Services contractor but would take over the future responsibilities of a General Contractor when construction on the project starts. According to Mr. Michael Lane of DPW, who is the Program Manager of the Laguna Honda Hospital Replacement Project, rather than the City awarding multiple prime contracts for construction of different portions of the work and being responsible for coordinating work among the various prime contractors, the City will hold only a single contract with a CM-at-Risk. The DPW had planned to secure a Construction Management Services contractor, and several General Contractors. Under the proposed ordinance, the DPW would instead secure a Construction Management Services contractor and one CM-at-Risk, instead of a traditional General Contractor approach with several General Contractors. Under the CM-at-Risk

approach the Construction Management Services contractor would prepare and update construction schedules, conduct contract administration and logistics planning and hire a State-required "Inspector of Record," and the CM-at-Risk would provide services similar to a General Contractor, including management services, conducting the selection process for construction subcontractors and suppliers, and entering into subcontracts for construction and suppliers, instead of the City itself handling such responsibility. The CM-at-Risk would also be responsible for phasing the work for the project, managing the subcontracts and guaranteeing the maximum price and deadlines for the work performed. Under the proposed CM-at-Risk contract for the Laguna Honda Hospital Replacement Project, the CM-at-Risk would serve as the sole Prime Contractor and would agree to a Guaranteed Maximum Price (GMP) for all of the professional services to be performed by the CM-at-Risk and construction work to be performed by all of the subcontractors of the CM-at-Risk. There would be one Prime Contractor, the CM-at-Risk, and all other contractors on the project would be subcontracted to the CM-at-Risk.

The difference between a CM-at-Risk approach and a traditional General Contractor approach is that it would allow the City to proceed with one Prime Contractor although the Laguna Honda Hospital Replacement Project is a multi-phased construction project, according to Mr. Lyndon Chee of the City Attorney's Office. In Attachment I, Mr. Chee reports that without a CM-at-Risk, "the City could proceed with a single contract to procure construction of all structures. However, this would delay the project because a single all-encompassing contract could not be bid until the design of each and every structure was complete. A phased program allows the City to bid contracts as the design of discrete components of the program are completed." Mr. Chee further states in Attachment I that the City is protected from potential liability resulting from CM-at-Risk contract relationships with subcontractors because "under

---

\* Prior to commencement of construction, the Office of Statewide Health Planning and Development requires a certified inspector to serve on a specific job as the Inspector of Record (IOR).

the proposed CM-at-Risk project delivery method, the City will have only one construction contract. For a fee, the CM-at-Risk will assume responsibility for managing and coordinating all the construction work. Consequently, the CM-at-Risk will be liable for any impact that work on one phase may have on another. While the CM-at-Risk does not eliminate disruption claims from the program, liability for such claims is shifted to the CM-at-Risk who is better able and more experienced in coordinating the subcontractors."

According to Mr. Lane, under the proposed CM-at-Risk approach, DPW would conduct a public, competitive, qualifications-based RFP selection process for selecting the CM-at-Risk. Mr. Lane reports that if the Board of Supervisors approves the proposed ordinance, the DPW will issue an RFP as soon as this subject ordinance is finally approved, estimated to be February of 2003. The CM-at-Risk contract selected by DPW will be subject to final approval by the Board of Supervisors in accordance with Charter Section 9.118 (b) because the contract will exceed \$10 million (see Comments Nos. 1 and 3). Attachment II, provided by Mr. Lane, further explains the proposed CM-at-Risk approach for the Laguna Honda Hospital Replacement Project. Regarding the GMP, Mr. Lane states "From a financial point of view, assuming local business participation goals are being met through the bidding process, the CM-at-Risk is equivalent to a competitive bid situation on the construction work."

The proposed ordinance would also authorize the DPW Director to terminate DPW's existing contract with Turner Construction Company/Cooper Puga Management, Inc., a joint venture for construction management services for the Laguna Honda Hospital Replacement Project. The modification would remove Turner Construction Company from the existing Construction Management Services contract, which expires December 31, 2002 (see Comment No. 2), terminate or reduce in scope the portion of the Construction Management Services contract scope of work for prospective work which would be included in the CM-at-Risk contract, and assign the Construction Management Services contract with reduced scope of

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

work to Cooper Pugeda Management, Inc., to serve as the sole Construction Manager. In Attachment III, Mr. Lane states that DPW is proposing to modify the current contract for construction management services for the Laguna Honda Hospital Replacement Project because "the complexity of the project has increased significantly as the design has progressed." In addition Mr. Lane states in Attachment III that under the proposed CM-at-Risk approach DPW would continue to use Cooper Pugeda Management, Inc. (CPM) because "CPM and its consultants are qualified to provide the services needed by the project and to date have performed satisfactorily" and because "the department will continue to need the services of a construction management firm, which needs to be independent of the CM-at-Risk." As stated previously, the work to be done by the Construction Manager is updating construction schedules, conducting contract administration and logistics planning and providing a State-required Inspector of Record. The CM-at-Risk would conduct the selection process for construction subcontractors and suppliers, enter into subcontracts for construction and suppliers, would be responsible for phasing the work for the project, managing the subcontracts and guaranteeing the maximum price and deadlines for the work performed. According to Mr. Lane, Turner Construction Company/Cooper Pugeda Management, Inc., a Joint Venture, was selected through a competitive Request for Qualifications (RFQ) process. The proposed ordinance further permits Turner Construction Company, once released from its current contract for construction management services for the Laguna Honda Hospital Replacement Project, to bid on the proposed RFP for the CM-at-Risk contract separate from its joint venture with Cooper Pugeda Management, Inc. According to Mr. Lane, Cooper Pugeda Management, Inc. would not be eligible to bid on the proposed RFP for the CM-at-Risk contract because Cooper Pugeda Management, Inc. would hold the Construction Management Services contract. In Attachment III Mr. Lane further explains (a) the proposed modifications to the current contract for construction management services for the Laguna Honda Hospital Replacement Project; (b) the reason DPW is proposing to remove Turner Construction Company from the existing

Construction Management Services contract; (c) the reason DPW is proposing that Turner Construction Company be permitted to bid on the RFP for the CM-at-Risk contract; and (d) how the RFP will be conducted to ensure that Turner Construction Company does not have an unfair advantage in the competitive selection process for the CM-at-Risk contract due to its current contractual relationship with DPW as the Construction Manager on the Laguna Honda Replacement Project. Attachment IV is a memorandum from Turner Construction Company stating that it has agreed to be released from its Construction Management Services contract in order to bid on the proposed CM-at-Risk contract.

**Comments:**

1. The Laguna Honda Hospital Replacement Project is estimated to cost \$401.6 million. Attachment V, provided by Mr. Lane, contains a budget for the Laguna Honda Hospital Replacement Project, including estimated expenditure amounts and sources of funds. Mr. Lane reports that the total amount that DPW would budget for a Construction Manager Contractor and CM-at-Risk contract, or an estimated \$39 million, is the same as the total amount that the DPW had budgeted for a Construction Manager Contractor and a General Contractor under the traditional approach.

2. Mr. Lane reports that the existing contract for construction management services with Turner Construction Company/Cooper Pineda Management, Inc., a joint venture (Turner/CPM, JV), as the Construction Manager, in the amount of \$1.7 million, will expire December 31, 2002. Under the traditional General Contractor approach, the DPW had planned to modify the Construction Management Services contractor year by year through the completion of the project. As stated previously, under the proposed CM-at-Risk approach, the DPW would assign this Construction Manager contract solely to Cooper Pineda Management, Inc. (CPM). Mr. Lane reports that under the CM-at-Risk approach the DPW would modify the Construction Management Services contract year by year through the completion of the project, as under the traditional General Contractor approach. However, Mr. Lane advises that under the CM-at-Risk approach the total estimated budget for the

Construction Manager Contract would be reduced from an estimated total amount of \$10 million to an estimated total amount of \$7 million. The Budget Analyst notes that the Construction Manager Contract and contract modifications are not subject to final approval by the Board of Supervisors in accordance with Charter Section 9.118 (b) because the Construction Manager contract with Cooper Pineda Management, Inc. will not exceed \$10 million cumulatively.

3. Mr. Lane reports that the Architect's drawings and specifications for the Laguna Honda Hospital Replacement Project will be completed in December of 2002 and that the DPW anticipates receiving the necessary permits to begin construction work by June of 2003. Mr. Lane advises that at the conclusion of the RFP process to select the CM-at-Risk, the selected CM-at-Risk would be required to obtain construction subcontractor and supplier bids and submit a Guaranteed Maximum Price (GMP) for all of the CM-at-Risk professional services and construction work to be performed that is within the City's estimated budget. Mr. Lane reports that the DPW has budgeted a GMP of \$250 million for the professional services and construction work that would be included in the CM-at-Risk contract, out of the total Laguna Honda Replacement Project estimated cost of \$401.6 million. In Attachment V, Mr. Lane reports that the estimated budget for the CM-at-Risk contract includes CM-at-Risk services for \$29 million and subcontractors under the CM-at-Risk for \$221.

4. Construction is estimated to be completed and the new hospital is to become fully operational in 2009, according to Mr. Lane. Mr. Lane further reports that of the total 1,200 new hospital beds, 780 beds will be operational in 2007, with the remaining 420 beds becoming operational in 2009, due to the phasing of the construction.

5. According to Mr. Lane, once the GMP scope and amount have been agreed to by the DPW and the CM-at-Risk, contract modifications and/or changes to the GMP would only occur if changes to the work required under the Architect's drawings and specifications are made.

6. The proposed ordinance requires that the CM-at-Risk contract provide that the CM-at-Risk contractor use a competitive bid process to award all construction subcontracts and select suppliers and prequalify major subcontractors. In Attachment I, Mr. Lane states that a "CM-at-Risk contract would increase M/WBE participation for professional services performed." In addition, Mr. Lane states in Attachment I that the "CM-at-Risk contract would include the City's local hiring and M/WBE goals for all construction work performed by subcontractors." According to Mr. Lane, M/WBE participation goals for construction subcontracts will be the same as under existing City ordinances. Mr. Lane states that under the proposed CM-at-Risk approach, the Human Rights Commission and DPW would set the M/WBE participation goals in the same manner as they are set under the traditional General Contractor approach and the M/WBE participation goals would be specified in the CM-at-Risk contract.

7. Mr. Lane states in Attachment I that:

- CM-at-Risk allows the DPW to best manage this complex project.
- CM-at-Risk provides the City with a Guaranteed maximum price (GMP) for the work.
- CM-at-Risk provides for better coordination and control of the work. This results in less of an impact to the Laguna Honda Hospital residents and surrounding community and a potentially safer project.
- CM-at-Risk allows DPW to better manage its exposure to cost overruns due to change orders resulting from coordinating multiple contractors simultaneously on site.
- CM-at-Risk allows a greater participation of M/WBE in professional services contracts.

According to Mr. Lane, the above-mentioned benefits of the CM-at-Risk approach result from the fact that the City would contract with only one CM-at-Risk, rather than with several General Contractors and from incentives the DPW would include in the contract. Mr.

Lane further states in Attachment I that "there are also potential efficiencies in the management of the project inherent in the CM-at-Risk approach, which could yield a financial benefit to the project. I have not attempted to quantify those efficiencies. Finally, the potential for change orders after bid can be mitigated by providing the CM-at-Risk with an incentive to minimize the cost of such changes. This would be an improvement over the competitive bid situation where there is no such incentive. Such contract language would be presented to the Board for review as part of the approval process for the CM-at-Risk contract."

8. Attachment VI, provided by DPW, is a list of public sector entities, which are either currently using the CM-at-Risk approach or have in the past.

9. The Budget Analyst notes that DPW has not provided an analysis of estimated savings from the use of the CM-at-Risk approach. The Budget Analyst also notes that the DPW has not provided any documentation on how the costs of change orders would be reduced under the CM-at-Risk approach as compared to the traditional General Contractor approach.

**Recommendation:**

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.



DENNIS J. HERRERA  
City Attorney

LYNDON Y. CHEE  
Deputy City Attorney

DIRECT DIAL: (415) 554-3901  
E-MAIL: lyndon\_chee@ci.sf.ca.us

**MEMORANDUM  
PRIVILEGED & CONFIDENTIAL**

TO: Harvey Rose, Budget Analyst  
FROM: Lyndon Y. Chee *LYC*  
Deputy City Attorney  
DATE: December 5, 2002  
RE: File 02-1894: Lagunan Honda Hospital CM-at-Risk procurement

---

Your office requested an explanation of how proceeding with a CM-at-Risk contract instead of traditional bid-build contracts potentially reduces the City's liability for claims of interference by construction contractors at Laguna Honda Hospital.

As currently planned, construction at Laguna Honda will proceed in phases – different structures will be bid and constructed at different times over the duration of the construction program. If the City were to proceed with multiple prime contracts for different portions of the program<sup>1</sup>, then the City would be responsible for coordinating the work of the various contractors. Coordinating the several contractors is further complicated by having the work performed in a relatively confined space. In effect, the City would be acting as if it were a general contractor coordinating the work of its subcontractors. Under this scenario, the City would potentially face delay and disruption claims as one contractor's work interfered with another's.

Under the proposed CM-at-Risk project delivery method, the City will have only one construction contract. For a fee, the CM-at-Risk will assume responsibility for managing and coordinating all the construction work. Consequently, the CM-at-Risk will be liable for any impact that work on one phase may have on another. While the CM-at-Risk does not eliminate disruption claims from the program, liability for such claims is shifted to the CM-at-Risk who is better able and more experienced in coordinating the subcontractors.

---

<sup>1</sup> The City could proceed with a single contract to procure construction of all structures. However, this would delay the project because a single all-encompassing contract could not be bid until the design of each and every structure was complete. A phased program allows the City to bid contracts as the design of discrete components of the program are completed.

DECEMBER 2, 2002

TO: Ms. Sarah Graham  
Budget Analyst's Office

FROM: Michael Lane  
Laguna Honda Hospital Replacement

**SUBJECT: Description of the Construction Manager-at-Risk Approach**

This memo is intended to supplement the earlier report entitled "Report on the Proposal to Use the Construction Manager-at-Risk Approach to Building the New Facility, dated November 4, 2002.

As requested, this memo will concentrate on:

1. Briefly describing the CM-at-Risk approach
2. Listing the benefits of the CM-at-Risk Approach
3. Explaining the Guaranteed Maximum Price (GMP), specifically:
  - A. How the GMP will be competitive
  - B. How the GMP is equivalent to a competitive bid

**1. DESCRIPTION OF THE CONSTRUCTION MANAGER-AT-RISK-APPROACH**

Construction Manager-at-Risk is a term used to describe the following services provided by a General Contractor:

- providing construction management services;
- bidding all construction work to the trade contractors;
- holding all contracts with the trade contractors; and
- guaranteeing the maximum price for the work.

The Construction Manager-at-Risk approach allows the City to contract with one General Contractor (rather than multiple general contractors) and gives that General Contractor the authority and responsibility for phasing and packaging of the bids to meet the project's needs. Therefore, Construction Manager-at-Risk services are provided by a General Contractor who holds subcontracts but may not perform construction work by its own forces. The CM-at-Risk performs its work for a Guaranteed Maximum Price.

The actual CM-at-Risk contract will be submitted separately to the Board of Supervisor's for review and approval.

The approach is summarized below.

General

- CM-at-Risk is selected through a public, competitive, qualifications-based process.
- CM-at-Risk contract will include professional services and subcontracted construction work.

- CM-at-Risk professional services will be performed for a fee to be negotiated by the City.
- CM-at-Risk will not perform construction work with its own forces. All construction work is competitively bid to subcontractors.
- CM-at-Risk holds all contracts with subcontractors and is responsible for their performance.
- City holds one Contract with CM-at-Risk.
- CM-at-Risk would be required to be bonded, licensed and insured for all services and construction work included in the contract.
- Similar approach to other public and private sector projects. See Appendix H.

### Subcontracting

- CM-at-Risk, in cooperation with the City and its Architect, will review drawings and prepare them for bidding to subcontractors.
- CM-at-Risk will subcontract all of the construction work.
- CM-at-Risk will pre-qualify bidders for the major subcontracted trades.
- CM-at-Risk will qualify at least three bidders for each subcontracted trade.
- City shall approve the selected bidders for each subcontract.
- CM-at-Risk will competitively bid subcontracted work, with the possible exception noted below.
- CM-at-Risk will receive bids in a public bid opening.
- City procedures will be followed in the determining the lowest, responsible, responsive bidder.
- The DPW Director, in consultation with the CM-at-Risk, may negotiate the terms of a subcontract with a qualified local disadvantaged business. The total value of subcontracts/supply contracts procured under this provision shall not exceed ten percent of the value of the CM-at-Risk contract. The DPW Director shall have the sole discretion in determining whether to proceed under this provision.

### M/WBE Participation

- CM-at-Risk contract would increase M/WBE participation for professional services performed. This opportunity for increased participation would not be available in the current approach to securing a General Contractor for a project of this size. See Attachment I.
- CM-at-Risk contract would include the City's local hiring and M/WBE goals for all construction work performed by subcontractors.

## 2. BENEFITS OF THE CM-AT-RISK APPROACH

- CM-at-Risk allows the DPW to best manage this complex project.
- CM-at-Risk provides the City with a Guaranteed maximum price (GMP) for the work.
- CM-at-Risk provides for better coordination and control of the work. This results in less of an impact to the Laguna Honda Hospital residents and surrounding community and a potentially safer project.

- CM-at-Risk allows DPW to better manage its exposure to cost overruns due to change orders resulting from coordinating multiple contractors simultaneously on site.
- CM-at-Risk allows a greater participation of M/WBE in professional services contracts.

### **3. THE GUARANTEED MAXIMUM PRICE (GMP)**

The Architect's drawings and specifications will be completed in December 2002 and will be used as the basis for determining the scope of work included the CM-at-Risk's Guaranteed Maximum Price (GMP).

The CM-at-Risk will package the work for bidding and at the conclusion of the bidding process, the CM-at-Risk will provide a Guaranteed Maximum Price (GMP) for all professional services and construction work performed. The GMP shall be within the City's budget.

The estimated budget for the work that would be included in the GMP is \$250M. This is made up of \$221M for subcontracted work and \$29M (13% of the subcontracted work) for the general contractor's overhead and fee and also bonds, insurance costs.

The 13% is an industry standard and has been verified by two independent estimating firms. Approximately 11% of the 13% is for professional staff and associated overhead. The remaining 2% of the 13% is for bonds and insurance.

#### **A. How the GMP will be competitive**

The GMP is a combination of the cost of professional management services (11%), bonds and insurance (2%) and the cost of construction work performed (87%).

The CM-at-Risk will provide the management services and the cost of those services will be negotiated as is typical for professional services contracts. Cost of services should be within industry standards. If not, the City will discontinue negotiations with the highest ranked firm and initiate negotiations with the second-highest ranked firm.

Bonds and insurance costs can be verified based on actuals.

All construction work will be competitively bid. There is one exception to competitively bidding when it appears that the project's goals for local disadvantaged business participation are not being met. That exception is limited to a total of 10% of the cost of the construction work (8.7% of the overall estimated budget).

#### **B. How the GMP is equivalent to a competitive bid**

From a financial point of view, assuming local business participation goals are being met through the bidding process, the CM-at-Risk is equivalent to a competitive bid situation on the construction work.

The professional services, bonds and insurance costs will be in compliance with industry standards.

The risk of not being in budget at the conclusion of bidding using the CM-at-Risk approach is equivalent to the risk of not being in budget at the conclusion of a competitive bid. However, the CM-at-Risk allows for the flexibility to adjust future bid packages to adjust to the bidding market and thereby, keep the overall project on schedule.

There are also potential efficiencies in the management of the project inherent in the CM-at-Risk approach, which could yield a financial benefit to the project. I have not attempted to quantify those efficiencies.

Finally, the potential for change orders after bid can be mitigated by providing the CM-at-Risk with an incentive to minimize the cost of such changes. This would be an improvement over the competitive bid situation where there is no such incentive. Such contract language would be presented to the Board for review as part of the approval process for the CM-at-Risk contract.

DECEMBER 5, 2002

TO: Ms. Sarah Graham  
Budget Analyst's Office

FROM: Michael Lane  
Laguna Honda Hospital Replacement Program

SUBJECT: **Turner Construction Company's Participation in the Construction Manager-at-Risk RFP Process & Continue use of CPM for Construction Management Services.**

## INTRODUCTION

This memo is intended to supplement the earlier report entitled "Report on the Proposal to Use the Construction Manager-at-Risk Approach to Building the New Facility, dated November 4, 2002.

As requested, this memo will concentrate on two issues: why the department feels that it is appropriate to allow Turner Construction Company to participate in the CM-at-Risk selection process and why the department recommends continuing to contract with CPM.

At the beginning of the Laguna Honda project, the intention was to proceed using the traditional design-bid-build approach. This approach is outlined in the November 4, 2002 report. DPW initiated a public, competitive, Request for Qualifications (RFQ) process to select a Construction Manager.

The joint venture of Turner Construction Company/CPM (Turner/CPM) was selected in January 2001. The selection process is outlined in Attachment C of the November 4, 2002 report.

As detailed in the November 4, 2002 report, the complexity of the project has increased significantly as the design has progressed. This lead to the recommendation by DPW to use the CM-at-Risk approach, in order to, best manage the project.

The current Turner Construction Company/CPM contract is a typical professional services contract. It does not include construction work or guarantee the price for such work. Upon issuance of the CM-at-Risk RFP, the current contract would be modified as follows:

- Turner Construction Company would be released from the contract in order to allow them to compete in the CM-at-Risk RFP process.
- CPM, the joint venture partner, would be retained to provide expertise that the City continues to need in scheduling and contract administration services.

**Turner Construction Company's participation in the CM-at-Risk selection process**

The reasons why the department feels that it is appropriate to allow Turner Construction Company to participate in the CM-at-Risk selection process are outlined below:

1. A year and a half after Turner/CPM was selected, the City is recommending a change to the contract delivery method. This was not the City's intent when Turner/CPM responded to the City's earlier request for proposals for construction-related professional services.  
Therefore, the department felt that it would not be appropriate to prohibit Turner Construction Company from participating in the CM-at-Risk process because they successfully responded to an earlier request for proposals at a time when there was no indication that CM-at-Risk would be the contract delivery method.
2. In order to ensure a level playing field for other qualified contractors, all available information on the site conditions, design, budget, cost estimates, phasing, logistics and hospital operations will be made available to all proposers.
3. The current project team's involvement in the selection process will be limited to conducting briefing sessions and site tours with the proposers to review information and answer questions.
4. Adequate time will be allowed for proposers to get familiar with the project. Two months is anticipated.
5. No member of the City's project team or the Architect's team will be on the selection panel. As with the previous selection processes, panelists will be chosen based on their knowledge of the subject matter, in this case, construction contracting, hospital design, construction and operations. Panelists will independently rank proposers based on their demonstrated qualifications to perform the work. The interviews, which are taped, will be monitored by a representative from the City Attorney's office and the Human Right's Commission.
6. Turner Construction Company is a large General Contracting firm with considerable experience in building hospitals. To preclude them from the CM-at-Risk process would reduce the competition.
7. If Turner Construction Company is not selected as the CM-at-Risk, we do not anticipate any further involvement by Turner Construction Company in the project.

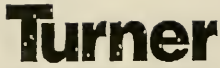
**Continue use of CPM for Construction Management Services**

To date, the Turner/CPM team and their subconsultants have provided cost estimating, logistics planning, construction scheduling, contract administration and inspection services. Turner and a WBE firm Powell, have been involved in the cost estimating. This phase of the work is actually coming to a close with the completion of the design in December 2002.

CPM and another MBE firm, BDI are providing the construction scheduling, contract administration, some logistics planning and inspection services. The department investigated terminating the entire Turner/CPM joint venture contract but decided against recommending it. The reasons why the department recommends continuing to contract with CPM are outlined below:

1. CPM was selected through a comprehensive, public, qualifications-based process. The details are outlined in the November 4, 2002 report. CPM and its consultants are qualified to provide the services needed by the project and to date have performed satisfactorily.
2. The department will continue to need the services of a construction management firm, which needs to be independent of the CM-at-Risk.
3. There would be a discontinuity in service of three to four months if the department went through a selection process for a replacement construction management firm. This would be separate from the CM-at-Risk selection process. During that period the services mentioned above would not be available to the project.
4. The discontinuity in service would impact the project in a number of areas:
  - Scheduling: Updated construction schedules are provided by CPM. The absence of the schedule would impact project planning specifically preparation for upcoming work and refinement of cash flow and encumbrance schedules necessary for the first General Obligation bond sale planned in the first half of 2003.
  - Contract Administration/Logistics Planning: Work on utility relocations has begun and is being coordinated by a DBI staff member. A discontinuity in this service could impact the schedule for this project.
  - Inspection: CPM is providing a state-required Inspector of Record (IOR). The State will not allow work to proceed without an IOR on site. Again, a discontinuity in this service could impact the schedule for this project.
5. To address the concerns about CPM's ability to meet other needs of the project in the long term, the Director has requested the authorization to evaluate the CPM team as the needs of the project change and determine if the team needs to be supplemented.

I hope that this information is helpful. If you have any questions or comments please call me at 759-4595.



Turner Construction Company  
1625 Clay Street  
Oakland, CA 94612-1531  
phone: 510.267.8100  
fax: 510.267.0787

December 5, 2002

Ms. Sarah Graham  
Budget Analyst's Office  
City and County of San Francisco  
1390 Market Street, Suite 1025  
San Francisco, CA 94102

**SUBJECT: Participation in the Construction Manager-at-Risk RFP Process**

Dear Ms. Graham:

This is to confirm that Turner Construction Company is agreeable to being released from its current contract with the City and County of San Francisco for Construction Management services on the Laguna Honda Replacement Hospital. This is agreeable with the understanding that the City will have a selection process for CM-at-Risk and will allow Turner to compete for the proposed CM-at-Risk contract with the potential of being awarded the CM-at-Risk contract.

It is further understood and agreeable to Turner Construction Company, that we do not anticipate any further involvement in the project if we are not successful in the competition for the CM-at-Risk contract.

If you have any questions or comments, please call me at 510.267.8190.

Very truly yours,

Michael E. O'Brien  
Vice President, General Manager

cc: Mike O'Brien, Turner Construction Company  
Ismael Puga, CPM  
George Wong/Lyndon Chee, City Attorney's Office  
Michael Lane, City & County of San Francisco

## PROJECT BUDGET INFORMATION

## EXPENDITURES

## CONSTRUCTION:

|                            |               |        |
|----------------------------|---------------|--------|
| CM-at-Risk Subcontractors: | \$221M        |        |
| CM-at-Risk                 | \$ 29M        |        |
| Other Construction:        | <u>\$ 40M</u> |        |
| SUBTOTAL                   |               | \$290M |

|                           |         |
|---------------------------|---------|
| CONSTRUCTION CONTINGENCY: | \$21.6M |
|---------------------------|---------|

## PROFESSIONAL SERVICES:

|                    |                |       |
|--------------------|----------------|-------|
| Design Services    | \$36.5M*       |       |
| CM Services        | \$15.5M        |       |
| Testing & Permits  | \$13.5M        |       |
| Program Management | \$ 8.0M        |       |
| Activation Costs   | <u>\$ 1.5M</u> |       |
| SUBTOTAL           |                | \$75M |

|                                 |              |
|---------------------------------|--------------|
| ASSISTED LIVING MATCHING FUNDS: | <u>\$15M</u> |
|---------------------------------|--------------|

|                      |          |
|----------------------|----------|
| TOTAL PROJECT BUDGET | \$401.6M |
|----------------------|----------|

## SOURCES OF FUNDS

|                          |                |
|--------------------------|----------------|
| GENERAL OBLIGATION BONDS | \$299M         |
| TOBACCO SETTLEMENT FUNDS | \$100M         |
| INTEREST EARNINGS        | <u>\$ 2.6M</u> |
| TOTAL SOURCES            | \$401.6M       |

\*Includes the \$29.9M contract with Anshen+Allen / Gordon H. Chong & Partners

## ATTACHMENT H

The CM at Risk approach is quite common in the private sector with companies such as HP and Intel using it to deliver their projects. Use of this Approach in the public sector is becoming more common. A list of some jurisdictions that are using the approach is shown below:

| Project                           | Vol.<br>(in \$ mil) | Building<br>Type      | Compl.<br>Date | Client                        |
|-----------------------------------|---------------------|-----------------------|----------------|-------------------------------|
| San Jose City Hall                | \$190M              | City Hall             | 2004           | City of San Jose              |
| County of San Mateo               | 75                  | Detention             | 2004           | County of San Mateo           |
| * J. V. Hall                      | 16                  | Center                | 1998           | County of San Mateo           |
| * Admin. Bldg.                    | 12                  | Admin. Bldg.          | 2002           | County of San Mateo           |
| * Crime Lab                       |                     | Laboratory            |                |                               |
|                                   | 15                  |                       | 1996           | Redwood City                  |
| Redwood City Hall                 | 5                   | City Hall<br>Building | 2003           | Ravenswood Sch.<br>Distr.     |
| Ravenswood School                 | 15                  | School                | 2002           |                               |
| Saratoga Union<br>Schools         | 10                  | School                | 2000           | Saratoga Union Sch.<br>Distr. |
| Woodside Elem.<br>School Distr.   | 60                  | School                | 2002           | Woodside School<br>Distr.     |
|                                   |                     | School                |                |                               |
| Redwood City School<br>Distr.     | 40                  |                       | 1999           | Redwood City Sch.<br>Distr.   |
|                                   | 15                  | City Hall<br>Building | 2002           |                               |
| City of Hayward                   | 12                  |                       | On<br>Hold     | City of Hayward               |
| El Camino Hospital                |                     | Hospital              |                | El Camino Hospital            |
| Cabrillo Community<br>College     | 10                  | College               |                | Cabrillo College              |
|                                   |                     |                       | 2003           |                               |
| Palo Alto Unified<br>School Distr | 42                  | School                |                |                               |
|                                   |                     |                       | 1997           | Palo Alto Sch. Distr.         |
| Watsonville Hospital              | 20                  |                       |                |                               |
|                                   |                     | Hospital              | 2004           |                               |
| City of San Mateo                 | 60                  |                       |                | Watsonville Hospital          |
|                                   |                     | Office                | 1999           |                               |
| San Joaquin General<br>Hospital   |                     | Hospital              |                | City of San Mateo             |
|                                   |                     |                       |                | San Joaquin Hospital          |

Item 6 - File 02-1504

**Item:** Ordinance adding Section 21.25-2 to the Administrative Code to require that employees of City contractors, who are employed in City-owned or leased off-street parking lots, garages, and storage facilities where vehicles are stored, (a) be paid the prevailing rate of wages and (b) that such employees will have job protection with the successor contractor for a transition period after a City lease, management agreement or other contractual arrangement is terminated.

**Description:** The proposed ordinance would amend the Administrative Code to:

- Require that employees<sup>1</sup> of City contractors, who work at City-owned or leased off-street parking lots, garages, or facilities where vehicles are stored, be paid the prevailing rate of wages, including fringe benefits.
- Require that in the event of a termination of a lease, management agreement or other contractual arrangement with the City for the operation of off-street parking lots, garages, or storage facilities where vehicles are stored (a) existing employees<sup>2</sup> of City contractors operating the facility be given a 90-day transition employment period, (b) existing employees of City contractors receive a written performance evaluation from the successor Contractor at the end of the 90-day transition employment period, and (c) if the performance is satisfactory, employees be retained by the successor Contractor under the terms and conditions established by the new Contractor.
- Establish penalties for noncompliance with the prevailing wage provisions of the subject ordinance,

---

<sup>1</sup> In order to qualify for the prevailing wage provision of the subject ordinance, employees must perform work in one of the following classifications: washing, polishing, lubrication, rent-car service, parking vehicles, cashiers, attendants, checking coin boxes, non-attendant parking lot checking, daily ticket audits, traffic directors, shuttle drivers, and all other incidental duties, which are generally considered to be the duties of Garage Attendants. Further, the employees must have, as their primary place of employment, a public off-street parking lot, garage, or storage facility for vehicles, and may not be managerial, supervisory, or confidential employees.

<sup>2</sup> In order to qualify for the 90 day transition period, evaluation and retention provisions of the subject ordinance, employees of City contractors must work at least 15 hours per week, must have been employed for the preceding twelve months or longer at the site or sites covered by the lease, management agreement, or other contractual arrangement providing that just cause does not exist to terminate the employee(s).

such that if the Contracting Officer<sup>3</sup> suspects a possible violation of the prevailing wage provision, the Contracting Office shall (1) send written notice to the Contractor and (2) may terminate the agreement between the City and the Contractor for noncompliance. Where the Contracting Officer finds that the Contractor has willfully violated<sup>4</sup> the requirements, the Contracting Officer may charge a penalty in an amount of \$50.00 per day for each employee that the Contractor failed to pay the Prevailing Rate of Wage. The proposed subject ordinance specifies that penalty funds would be deposited to the account that funded the lease, management agreement, or other contractual arrangement.

- Establishes a remedy for noncompliance with the 90-day transition employment period and termination requirements such that if an employee of a City contractor has been discharged in violation of the subject ordinance, the employee may bring action in the Superior Court of the State of California and where applicable, the employee shall be awarded back pay, including the value of benefits. If the employee is the prevailing party, the subject proposed ordinance directs the Court to award reasonable attorney's fees and costs.

The proposed legislation also contains a policy statement urging all public entities with boundaries similar or the same as the City, such as the Parking Authority, to adopt the prevailing wage and employee transition period policy of the proposed subject ordinance.

**Comments:**

1. According to Ms. Molly Stump of the City Attorney's Office, in March of 1989, the Board of Supervisors amended Chapter 6 of the City's Administrative Code to include the operation of off-street parking lots or garages under the term "public work or improvements" as defined

---

<sup>3</sup> The subject ordinance defines Contracting Officer as any officer or employee of the City and County of San Francisco authorized to enter into a Lease, Management Agreement, or Other Contractual Arrangement for the operation of a public off-street parking lot, garage, or storage facility for vehicles on property owned or leased by the City.

<sup>4</sup> The proposed subject ordinance does not define the term "willful violation". According to Mr. Tom Lakritz of the City Attorney's Office, to establish a "willful violation", the Contracting Officer must document the violation and have evidence that the violation was purposeful.

by Section 6.33 to require the payment of the highest rate of prevailing wage to Garage Attendants who are employees of City contractors operating City-owned garage facilities. Ms. Stump notes that in 1999, the Board of Supervisors amended Chapter 6 and deleted references to employees working in off-street parking lots and garages owned or leased by the City, thereby deleting the requirement that Garage Attendant employees of City contractors be paid the highest rate of prevailing wage.

According to Mr. Tom Lakritz of the City Attorney's Office, in September of 2002 the term "highest rate of prevailing wage" was changed in the Administrative Code, Section 6.22 by the Board of Supervisors to "prevailing rate of wages". Mr. Lakritz states that the subject ordinance has used the term "prevailing rate of wages" to be consistent with Section 6.22.

2. Mr. Lakritz and Ms. Donna Levitt of the Office of Labor Standards Enforcement state that they have not determined the number of leases, contracts, and management agreements that the subject ordinance would apply to or the number of City departments that would be responsible for including the above listed provisions in their leases, contracts, and management agreements. Ms. Levitt notes that 40 City-owned off-street parking lots and garages are under the jurisdiction of the Department of Parking and Traffic (DPT).

According to Mr. Lakritz, the proposed ordinance would only apply to agreements executed subsequent to the approval of the proposed ordinance. Mr. Lakritz notes that employees of City contractors covered by the subject ordinance would include persons performing work in the following classifications - washing, polishing, lubrication, rent-car service, parking vehicles, cashiers, attendants, checking coin boxes, non-attendant parking lot checking, daily ticket audits, traffic directors, shuttle drivers, and all other incidental duties, which are generally considered to be the duties of Garage Attendants. Mr. Lakritz notes that the proposed ordinance would not apply to employees of the City, but rather to employees of private firms that contract with the City.

3. While the proposed ordinance would cover only new and not existing contracts, according to Mr. Ron Szeto of the Department of Parking and Traffic (DPT), since 1989, DPT has required through their contracts that all City parking management firm contractors pay their Garage Attendant employees the prevailing rate of wage, as determined by the Civil Service Commission. Mr. Szeto states that 41 City-owned parking facilities, including 21 off street parking lots, 19 garages, and 1 storage facility where vehicles are stored are under the jurisdiction of DPT and the Parking Authority. Mr. Szeto advises that 19 of the 41 facilities are attended parking garages. According to Mr. Szeto, all 19 attended City-owned parking garages require the City contractors operating such facilities to pay the prevailing rate of wage to their approximately 200 Garage Attendant employees.

According to Mr. Szeto, DPT has recently also included, in their contract provisions, change of management protection provisions for Garage Attendants.<sup>5</sup> Mr. Szeto notes that including the 90-day transition period, evaluation and retention provisions that the subject ordinance would establish in its agreements with City contractors would not add costs to the DPT because these provisions are similar to the Department's current practice.

According to Mr. Fred Hamdum of DPT, the one storage facility where vehicles are stored under the jurisdiction of DPT is operated by City Tow. The City's contract with City Tow presently does not provide either for the payment of prevailing wages or for an employment transition period to employees of City Tow.

4. "Prevailing wage" for the purpose of the subject proposed ordinance is the rate of compensation, including fringe benefits or the matching equivalents thereof, being

---

<sup>5</sup> Mr. Szeto states that generally DPT allows only a 25% change in the City contractor's personnel in the event of a change of contractors. Mr. Szeto states that if City contractor Garage Attendant employees have worked for the City contractor at the facility for 12 months prior to the commencement of a new contract, employees must be retained for 90-days from the commencement of the new contract. Such Garage Attendants are subject to a 90-day evaluation period and may be released only with just cause. If retained by the new parking contractor, Garage Attendants retain all financial rights accumulated through their service with the previous City contractor that employed them.

paid to a majority of workers engaged in the area in which the lease, management agreement, or other contractual arrangement is being performed in the City and County of San Francisco. The subject proposed ordinance states that the Civil Service Commission is required to furnish to the Board of Supervisors, within 60 days after the effective date of the proposed subject ordinance, data as to the prevailing rate of wages for individuals working in off-street parking lots, garages, and storage facilities where vehicles are stored, and that the Board of Supervisors must then fix these wages. According to Mr. Lakritz, the fixing of such rates by the Board of Supervisors would be the subject of future legislation.

5. The proposed ordinance establishes that the Contracting Officer would be responsible for enforcing the prevailing wage provisions and for assessing penalties for noncompliance. According to Ms. Levitt, the Office of Labor Standards Enforcement, a Division of the Office of Contract Administration, would be responsible for the enforcement of the subject ordinance. As noted in the attached memorandum from Ms. Levitt, the Office of Labor Standards Enforcement would respond to complaints, conduct investigations as needed, conduct random audits, and make recommendations to Contracting Officers. As noted in the Attachment, Ms. Levitt reports that the proposed ordinance would require an additional 0.5 FTE Contract Compliance Officer I. With mandatory fringe benefits, the cost of this new 0.5 FTE position would range from \$36, 700 to \$44,614. Ms. Levitt states that if the proposed ordinance is approved, the Office of Contract Administration would submit a supplemental appropriation to fund the new position for six months starting January 1, 2003. As noted in the Attachment, Ms. Levitt estimates that the revenues generated from penalties collected for labor standards violations would offset the cost of the new position.

**Recommendation:** Approval of the proposed ordinance is a policy matter for the Board of Supervisors.



Levitt, Manager

Willie Lewis Brown, Jr.  
Mayor

Judith A. Blackwell, Director

Office of Labor Standards Enforcement  
Donna

MEMORANDUM

To: Budget Analyst  
Attn: Elaine Forbes  
From: Donna Levitt  
Re: Garage Attendants Prevailing Wage  
Date: October 23, 2002  
Cc: Judith Blackwell

The Office of Contract Administration, through its Office of Labor Standards Enforcement division, will be responsible for the enforcement of the subject ordinance by conducting random audits, responding to complaints, conducting investigations as needed, and making recommendations to contracting officers. The need for additional staff is estimated to be 0.5 FTE Contract Compliance Officer I. The annual salary range for CCO I is \$60,164 - \$73,138. Including fringe benefits, the cost of the new 0.5 FTE position will range from \$36,700 to \$44,614. The cost of this position will be offset by revenue generated to the General Fund from penalties collected for labor standards violations. We plan to apply for a supplemental appropriation to fund the position for six months starting 1/1/03.

Item 7 - File 02-1920

**Department:** Mayor's Office of Housing (MOH)

**Item:** Resolution approving amendments to Criteria and Procedures for Allocating Home Investment Partnership (HOME) Program Funds.

**Description:** Title II of the National Affordable Housing Act of 1990 authorized the HOME Program, which provides funds for the acquisition, rehabilitation, and development of privately owned affordable housing. Each year, the Federal Department of Housing and Urban Development (HUD) provides a HOME grant to San Francisco for affordable housing programs, which is administered by the Mayor's Office of Housing (MOH).

The Board of Supervisors approved (a) procedures for allocating HOME Program funds in August of 1992 (Resolution 679-92) and (b) revisions to the procedures in February of 1994 (Resolution 143-94). These procedures outline broad criteria and the process for allocating the HOME Program funds, including (a) notification procedures to interested parties on the availability of housing funds, (b) evaluation of funding proposals, including eligibility criteria and ranking of proposals, and (c) terms of HOME funding agreements.

The proposed resolution would amend the Criteria and Procedures for Allocating HOME Program Funds to:

- Require that the Annual Report, which is submitted by MOH to the Board of Supervisors, be based on the previous fiscal year rather than the previous calendar year. Currently, MOH submits an Annual Report to the Board of Supervisors by March 31 of each year for the preceding calendar year, providing an accounting of all HOME program funds received by the City and how the funds were expended. Under the proposed resolution, the Annual Report must be submitted by the Mayor's Office of Housing by September 30 of each year for the preceding fiscal year.

- Clarify that for-profit developers are eligible to apply for HOME funds (see Comment 1).
- Make HOME loan terms compatible with Low-Income Housing Tax Credit requirements, including reducing the term of certain loans from 75 years to 55 years (see Comment 2).
- Reflect current program names and policies, including:
  - (a) deleting references to the "Rehabilitation Matching Fund" program and adding references to the "Home Ownership Assistance Program";
  - (b) deleting references to the "Comprehensive Housing Affordability Strategy" and adding "Consolidated Plan", and
  - (c) deleting references to the "Residence Element" of the Master Plan and adding "Housing Element".
- Add references regarding MOH Underwriting Guidelines, as follows:
  - (a) The Notice of Funding Availability will state that MOH Underwriting Guidelines will be used to compare proposals to industry standards;
  - (b) Proposals will be evaluated for meeting Minimum Eligibility Requirements and MOH Underwriting Guidelines; and
  - (c) Proposals will be ranked after determining that the proposals meet Minimum Eligibility Requirements and MOH Underwriting Guidelines.

**Comments:**

1. Currently, the Criteria and Procedures for Allocating HOME Program Funds states that the Loan Committee "shall review and recommend approval or denial of all applications for HOME Program funds by *non-profit* sponsors". Under the proposed resolution, the word *non-profit* would be deleted, clarifying that *for-profit* project sponsors would be eligible to apply for HOME loans. According to Ms. Alicia Klein of MOH, the Federal HUD regulations permit for-profit project sponsors to apply for loans, and therefore, the proposed amendment to allow for-profit project sponsors to apply for HOME loans would be consistent with Federal HUD regulations.

2. Under the existing Criteria and Procedures for Allocating HOME Program Funds, the term of affordability for rental projects is 75 years. Therefore, if a project sponsor receives a HOME loan to develop affordable rental housing, the loan would have a term of 75 years, during which time the housing development must provide affordable rental housing to low-income households. However, under the proposed resolution, a project sponsor may receive a HOME loan to develop affordable rental housing for a term of 55 years. Therefore, the project sponsor would be required to provide affordable rental housing to low-income households for 55 years rather than 75 years. Under the proposed Criteria and Procedures for Allocating HOME Program Funds, the Mayor may approve an affordable rental housing project for a term of 55 years if the shorter term is necessary for the HOME loan to be used to leverage other financing to develop the project.

3. According to Ms. Klein, under Federal Internal Revenue Service regulations, non profit developers can form limited partnerships with tax investors, in which the tax investor provides private financing for the affordable housing development and receives a Federal Low Income Housing Tax Credit. Ms. Klein advises that the proposed 55-year term of affordability would bring the Criteria and Procedures for Allocating HOME Program Funds into conformity with Federal Internal Revenue Service regulations.

**Recommendation:** Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Item 8 - File 02-1974

**Department:** Public Utilities Commission (PUC)

**Item:** Resolution (a) approving the issuance of not to exceed \$485,000,000 aggregate principal amount of Clean Water Revenue Bonds, 2003 Refunding Series A to be issued by the Public Utilities Commission of the City and County of San Francisco; and (b) authorizing the taking of appropriate actions in connection therewith and related matters.

**Amount:** Not to exceed \$485,000,000

**Source of Funds:** Clean Water Revenue Bonds, 2003 Refunding Series A

**Description:** The proposed resolution would authorize the Public Utilities Commission to issue an amount not to exceed \$485,000,000 in tax-exempt Clean Water Revenue Bonds, 2003 Refunding Series A, to refund Clean Water Revenue Bonds, Series 1992, Series 1994, Series 1995A, and Series 1995B.

The Public Utilities Commission (PUC) has issued \$561,497,147 in Clean Water Revenue Bonds, Series 1992, Series 1994, Series 1995A, and Series 1995B, of which \$400,945,000 is outstanding. These Clean Water Revenue Bonds financed capital improvements to the City's sewer system facilities or refinanced prior revenue bonds.

The proposed refunding Bonds will refund all of the \$400,945,000 in outstanding Series 1992, Series 1994, Series 1995A, and Series 1995B Clean Water Revenue Bonds. Pursuant to Charter Section 9.109, the Board of Supervisors is authorized to approve the issuance of Revenue Refunding Bonds, if such Bonds are expected to result in net debt service savings to the City on a present value basis. According to Ms. Karol Ostberg of the PUC, issuance of the proposed Clean Water Revenue Bonds, 2003 Refunding Series A, which will retire the Clean Water Revenue Bonds, Series 1992, Series 1994, Series 1995A, and Series 1995B, will result in total estimated net present value savings in aggregate debt service of

BOARD OF SUPERVISORS

BUDGET ANALYST

\$32,522,071 (see Attachment II, provided by the PUC and Comment 5).

**Comments:**

1. According to Ms. Ostberg, the Clean Water Revenue Bonds, 2003 Refunding Series A will be repaid from the net revenues of the Clean Water Enterprise and will not require General Fund monies to repay the proposed Bonds.

2. Ms. Ostberg states that the estimated amount needed of the proposed Clean Water Revenue Bonds, 2003 Refunding Series A is \$420,600,000. According to Ms. Ostberg, the subject Bond proceeds will be used to (a) pay the underwriters' fee, (b) pay other costs of bond issuance including attorney, rating agencies and printing fees, (c) pay the bond insurance premium, (d) fund the required debt service reserve, and (e) refund or retire Clean Water Revenue Bonds, Series 1992, Series 1994, Series 1995A and Series 1995B, as shown in Attachment I.

3. According to Ms. Ostberg, the PUC proposes to issue the Clean Water Revenue Bonds, 2003 Refunding Series A Bonds on January 28, 2003, and Bond proceeds will be used to repay Clean Water Revenue Bonds, Series 1992, Series 1994, Series 1995A and Series 1995B as follows:

- The existing Series 1992 Bonds are expected to be refunded on March 1, 2003. The Series 1992 Bonds have interest rates between 5.5 percent and 6.0 percent, and were issued with a 23-year term, with a final payment date on October 1, 2015.
- The existing Series 1994 Bonds are expected to be refunded on March 1, 2003. The Series 1994 Bonds have interest rates between 4.7 percent and 5.375 percent and were issued with a 28-year term, with a final payment date on October 1, 2022.
- The existing Series 1995A Bonds are expected to be refunded on October 1, 2003. The Series 1995A Bonds have interest rates between 5.375 percent and 5.95 percent and were issued with a 30-year term, with a final payment date on October 1, 2025.

- The existing Series 1995B Bonds are Capital Appreciation Bonds<sup>1</sup> and were issued with five separate final payment dates on October 1, 2006, October 1, 2007, October 1, 2008, October 1, 2009, and October 1, 2010. Proceeds from the proposed Clean Water Revenue Bonds, 2003 Refunding Series A will be deposited into an interest bearing escrow account, and will be used to refund the Series 1995B Capital Appreciation Bonds on each of the five separate final payment dates.

4. Attachment III, provided by Bill Berry, Assistant General Manager of the PUC, further clarifies the Clean Water Enterprise Refunding matter.

5. Ms. Ostberg states that the interest rates for the proposed Clean Water Revenue Bonds, 2003 Refunding Series A are estimated to range from 2.2 percent to 4.9 percent and would have a 23-year term with the final payment on January 1, 2026. As previously noted, the proposed refunding of the Clean Water Revenue Bonds, Series 1992, Series 1994, Series 1995A and Series 1995B at interest rates ranging from 2.2 percent to 4.9 percent will result in an estimated total net present value savings of \$32,522,071, which equals approximately 8.1 percent of the \$400,945,000 in outstanding Clean Water Revenue Bonds, Series 1992, Series 1994, Series 1995A and Series 1995B. Attachment II, provided by PUC, is a debt service comparison between the Clean Water Revenue Bonds, Series 1992, Series 1994, Series 1995A and Series 1995B and the proposed Clean Water Revenue Bonds, 2003 Refunding Series A, which shows estimated net present value savings of \$32,522,071.

6. Ms. Ostberg notes that the exact amount of the proposed Clean Water Revenue Bonds, 2003 Refunding Series A, in an amount not to exceed \$485,000,000, will not be known until the date of the sale of the subject Bonds. The actual aggregate principal amount needed to refund the Clean Water Revenue Bonds, Series 1992,

---

<sup>1</sup> Capital Appreciation Bonds (CAB) accrete in value rather than accrue interest. Therefore, a CAB is purchased at a discounted value from the face value and redeemed at face value. The CAB can not be redeemed prior to the maturity date.

Series 1994, Series 1995A and Series 1995B and associated issuance costs depends on the interest rate that will be in effect on that date of the sale of the subject Bonds. The proposed resolution would authorize the PUC to issue Clean Water Revenue Bonds, Refunding Series 2003 A in an amount not to exceed \$485,000,000. This amount of \$485,000,000 is \$64,400,000 or 15.3 percent more than the estimated amount needed of \$420,600,000. The Budget Analyst recommends that the resolution be amended to reduce the authorized not to exceed amount of \$485,000,000 by \$22,340,000, to \$462,660,000, which would still provide a 10 percent contingency over the present anticipated needed amount of \$420,600,000.

7. As noted in Comment 5, the estimated total net present value savings of \$32,522,071 is approximately 8.1 percent of the \$400,945,000 in outstanding Clean Water Revenue Bonds, Series 1992, Series 1994, Series 1995A and Series 1995B. According to Ms. Ostberg, it is a standard industry practice that issuance of refunding bonds should result in a debt service savings of at least 3 percent of the bonds to be refunded. Although the estimated 8.1 percent more than covers the 3 percent industry standard, in order to ensure debt service savings of at least 3 percent, the Budget Analyst recommends that the proposed resolution be amended by adding the following provision:

“Further provided, that issuance of the Clean Water Revenue Bonds, 2003 Refunding Series A would result in net debt service savings to the City on a present value basis of at least 3 percent, or \$12,028,350, of the refunded amount of \$400,945,000, which is the outstanding balance of the Clean Water Revenue Bonds, Series 1992, Series 1994, Series 1995A and Series 1995B to be refunded.”

**Recommendations:** 1. In accordance with Comment 6, amend the proposed resolution to reduce the authorized not to exceed \$485,000,000 aggregate principal amount of Clean Water Revenue Bonds, 2003 Refunding Series A by \$22,340,000 to \$462,660,000, which would still provide \$42,060,000, or

10 percent more than the estimated needed amount of \$420,600,000.

2. In accordance with Comment 7, amend the proposed resolution to require that issuance of the Clean Water Revenue Bonds, Refunding Series 2003 A would result in net debt service savings to the City on a present value basis of at least 3 percent, or \$12,028,350, of the refunded amount of \$400,945,000, which is the outstanding balance of the Clean Water Revenue Bonds, Series 1992, Series 1994, Series 1995A and Series 1995B to be refunded.

3. Approve the resolution as amended.

**\$420,600,000**  
**City and County of San Francisco**  
**Sewer Revenue Bonds, Series 2003**  
**Scenario 4**

**TOTAL ISSUE SOURCES AND USES**

| Dated 01/28/2003                                   | Delivered 01/28/2003        |                             |                                         |
|----------------------------------------------------|-----------------------------|-----------------------------|-----------------------------------------|
|                                                    | Refunding of Series<br>1992 | Refunding of Series<br>1994 | Refunding of Series<br>1995 A and 1995B |
| <b>SOURCES OF FUNDS</b>                            |                             |                             | <b>Issue Summary</b>                    |
| Par Amount of Bonds.....                           | \$185,830,000.00            | \$168,655,000.00            | \$66,115,000.00                         |
| Transfers from Prior Issue Debt Service Funds..... | 9,816,682.00                | 5,433,218.50                | 1,277,648.00                            |
| Transfers from Prior Issue DSR Funds.....          | -                           | 13,897,841.44               | -                                       |
| <b>TOTAL SOURCES.....</b>                          | <b>\$195,646,682.00</b>     | <b>\$187,986,059.94</b>     | <b>\$67,392,648.00</b>                  |
|                                                    |                             |                             | <b>\$420,600,000.00</b>                 |
|                                                    |                             |                             | <b>16,527,548.50</b>                    |
|                                                    |                             |                             | <b>13,897,841.44</b>                    |
|                                                    |                             |                             | <b>\$451,025,389.94</b>                 |
| <b>USES OF FUNDS</b>                               |                             |                             |                                         |
| Total Underwriter's Discount (0.500%).....         | 929,150.00                  | 843,275.00                  | 330,575.00                              |
| Costs of Insurance.....                            | 176,728.49                  | 160,394.67                  | 62,876.84                               |
| Gross Bond Insurance Premium.....                  | 828,092.07                  | 914,765.20                  | 346,146.71                              |
| Deposit to Debt Service Reserve Fund (DSRF).....   | 14,378,661.13               | 13,049,739.51               | 5,115,671.21                            |
| Deposit to Net Cash Escrow Fund.....               | 179,329,701.29              | 173,017,961.79              | 61,539,073.33                           |
| Rounding Amount.....                               | 4,349.02                    | (76.23)                     | (1,695.09)                              |
| <b>TOTAL USES.....</b>                             | <b>\$195,646,682.00</b>     | <b>\$187,986,059.94</b>     | <b>\$67,392,648.00</b>                  |
|                                                    |                             |                             | <b>\$451,025,389.94</b>                 |

| <p style="text-align: center;">\$420,600,000<br/>City and County of San Francisco<br/>Sewer Revenue Bonds, Series 2003<br/>Scenario 4<br/>DEBT SERVICE COMPARISON</p> |               |              |               |               |                 |                |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------------|---------------|---------------|-----------------|----------------|
| Date                                                                                                                                                                  | Total P+1     | DSR          | Net New D/S   | Old Net D/S   | Savings         | FISCAL TOTAL   |
| 1/28/2003                                                                                                                                                             | -             | -            | -             | -             | -               | -              |
| 4/01/2003                                                                                                                                                             | -             | -            | -             | 10,160,080.96 | 10,160,080.96   | -              |
| 6/30/2003                                                                                                                                                             | -             | -            | -             | -             | -               | 10,160,080.96  |
| 7/01/2003                                                                                                                                                             | 6,454,136.27  | (580,004.03) | 5,874,132.24  | -             | (5,874,132.24)  | -              |
| 10/01/2003                                                                                                                                                            | -             | -            | -             | 30,575,080.96 | 30,575,080.96   | -              |
| 1/01/2004                                                                                                                                                             | 7,593,101.50  | (683,425.51) | 6,909,675.99  | -             | (6,909,675.99)  | -              |
| 4/01/2004                                                                                                                                                             | -             | -            | -             | 9,611,332.21  | 9,611,332.21    | -              |
| 6/30/2004                                                                                                                                                             | -             | -            | -             | -             | -               | 27,402,604.94  |
| 7/01/2004                                                                                                                                                             | 7,593,101.50  | (683,425.51) | 6,909,675.99  | -             | (6,909,675.99)  | -              |
| 10/01/2004                                                                                                                                                            | -             | -            | -             | 25,621,332.21 | 25,621,332.21   | -              |
| 1/01/2005                                                                                                                                                             | 7,593,101.50  | (683,425.51) | 6,909,675.99  | -             | (6,909,675.99)  | -              |
| 4/01/2005                                                                                                                                                             | -             | -            | -             | 9,180,572.21  | 9,180,572.21    | -              |
| 6/30/2005                                                                                                                                                             | -             | -            | -             | -             | -               | 20,982,552.44  |
| 7/01/2005                                                                                                                                                             | 7,593,101.50  | (683,425.51) | 6,909,675.99  | -             | (6,909,675.99)  | -              |
| 10/01/2005                                                                                                                                                            | -             | -            | -             | 9,180,572.21  | 9,180,572.21    | -              |
| 1/01/2006                                                                                                                                                             | 7,593,101.50  | (683,425.51) | 6,909,675.99  | -             | (6,909,675.99)  | -              |
| 4/01/2006                                                                                                                                                             | -             | -            | -             | 9,180,572.21  | 9,180,572.21    | -              |
| 6/30/2006                                                                                                                                                             | -             | -            | -             | -             | -               | 4,541,792.44   |
| 7/01/2006                                                                                                                                                             | 7,593,101.50  | (683,425.51) | 6,909,675.99  | -             | (6,909,675.99)  | -              |
| 10/01/2006                                                                                                                                                            | -             | -            | -             | 38,170,572.21 | 38,170,572.21   | -              |
| 1/01/2007                                                                                                                                                             | 43,558,101.50 | (683,425.51) | 42,874,675.99 | -             | (42,874,675.99) | -              |
| 4/01/2007                                                                                                                                                             | -             | -            | -             | 8,508,776.59  | 8,508,776.59    | -              |
| 6/30/2007                                                                                                                                                             | -             | -            | -             | -             | -               | (3,105,003.18) |
| 7/01/2007                                                                                                                                                             | 7,192,091.75  | (683,425.51) | 6,508,666.24  | -             | (6,508,666.24)  | -              |
| 10/01/2007                                                                                                                                                            | -             | -            | -             | 38,953,776.59 | 38,953,776.59   | -              |
| 1/01/2008                                                                                                                                                             | 44,017,091.75 | (683,425.51) | 43,333,666.24 | -             | (43,333,666.24) | -              |
| 4/01/2008                                                                                                                                                             | -             | -            | -             | 7,784,168.46  | 7,784,168.46    | -              |
| 6/30/2008                                                                                                                                                             | -             | -            | -             | -             | -               | (3,104,387.43) |
| 7/01/2008                                                                                                                                                             | 6,717,049.25  | (683,425.51) | 6,033,623.74  | -             | (6,033,623.74)  | -              |
| 10/01/2008                                                                                                                                                            | -             | -            | -             | 39,839,168.46 | 39,839,168.46   | -              |
| 1/01/2009                                                                                                                                                             | 44,602,049.25 | (683,425.51) | 43,918,623.74 | -             | (43,918,623.74) | -              |
| 4/01/2009                                                                                                                                                             | -             | -            | -             | 7,010,575.96  | 7,010,575.96    | -              |
| 6/30/2009                                                                                                                                                             | -             | -            | -             | -             | -               | (3,102,503.06) |
| 7/01/2009                                                                                                                                                             | 6,171,505.25  | (683,425.51) | 5,488,079.74  | -             | (5,488,079.74)  | -              |
| 10/01/2009                                                                                                                                                            | -             | -            | -             | 40,740,575.96 | 40,740,575.96   | -              |
| 1/01/2010                                                                                                                                                             | 45,211,505.25 | (683,425.51) | 44,528,079.74 | -             | (44,528,079.74) | -              |
| 4/01/2010                                                                                                                                                             | -             | -            | -             | 6,173,693.46  | 6,173,693.46    | -              |
| 6/30/2010                                                                                                                                                             | -             | -            | -             | -             | -               | (3,101,890.06) |
| 7/01/2010                                                                                                                                                             | 5,570,289.25  | (683,425.51) | 4,886,863.74  | -             | (4,886,863.74)  | -              |
| 10/01/2010                                                                                                                                                            | -             | -            | -             | 29,143,693.46 | 29,143,693.46   | -              |
| 1/01/2011                                                                                                                                                             | 33,700,289.25 | (683,425.51) | 33,016,863.74 | -             | (33,016,863.74) | -              |
| 4/01/2011                                                                                                                                                             | -             | -            | -             | 5,658,132.21  | 5,658,132.21    | -              |
| 6/30/2011                                                                                                                                                             | -             | -            | -             | -             | -               | (3,101,901.81) |
| 7/01/2011                                                                                                                                                             | 5,097,705.25  | (683,425.51) | 4,414,279.74  | -             | (4,414,279.74)  | -              |
| 10/01/2011                                                                                                                                                            | -             | -            | -             | 25,013,132.21 | 25,013,132.21   | -              |
| 1/01/2012                                                                                                                                                             | 29,487,705.25 | (683,425.51) | 28,804,279.74 | -             | (28,804,279.74) | -              |
| 4/01/2012                                                                                                                                                             | -             | -            | -             | 5,107,482.21  | 5,107,482.21    | -              |

**\$420,600,000**  
City and County of San Francisco  
Sewer Revenue Bonds, Series 2003  
Scenario 4  
**DEBT SERVICE COMPARISON**

| Date       | Total P+I     | DSR             | Net New D/S   | Old Net D/S   | Savings         | FISCAL TOTAL   |
|------------|---------------|-----------------|---------------|---------------|-----------------|----------------|
| 6/30/2012  | -             | -               | -             | -             | -               | (3,097,945.06) |
| 7/01/2012  | 4,667,221.75  | (683,425.51)    | 3,983,796.24  | -             | (3,983,796.24)  | -              |
| 10/01/2012 | -             | -               | -             | 25,647,482.21 | 25,647,482.21   | -              |
| 1/01/2013  | 29,997,221.75 | (683,425.51)    | 29,313,796.24 | -             | (29,313,796.24) | -              |
| 4/01/2013  | -             | -               | -             | 4,548,662.21  | 4,548,662.21    | -              |
| 6/30/2013  | -             | -               | -             | -             | -               | (3,101,448.06) |
| 7/01/2013  | 4,201,149.75  | (683,425.51)    | 3,517,724.24  | -             | (3,517,724.24)  | -              |
| 10/01/2013 | -             | -               | -             | 26,358,662.21 | 26,358,662.21   | -              |
| 1/01/2014  | 30,581,149.75 | (683,425.51)    | 29,897,724.24 | -             | (29,897,724.24) | -              |
| 4/01/2014  | -             | -               | -             | 3,954,894.71  | 3,954,894.71    | -              |
| 6/30/2014  | -             | -               | -             | -             | -               | (3,101,891.56) |
| 7/01/2014  | 3,695,972.75  | (683,425.51)    | 3,012,547.24  | -             | (3,012,547.24)  | -              |
| 10/01/2014 | -             | -               | -             | 27,109,894.71 | 27,109,894.71   | -              |
| 1/01/2015  | 31,205,972.75 | (683,425.51)    | 30,522,547.24 | -             | (30,522,547.24) | -              |
| 4/01/2015  | -             | -               | -             | 3,320,776.58  | 3,320,776.58    | -              |
| 6/30/2015  | -             | -               | -             | -             | -               | (3,104,423.19) |
| 7/01/2015  | 3,145,772.75  | (683,425.51)    | 2,462,347.24  | -             | (2,462,347.24)  | -              |
| 10/01/2015 | -             | -               | -             | 27,915,776.58 | 27,915,776.58   | -              |
| 1/01/2016  | 31,885,772.75 | (15,062,086.64) | 16,823,686.11 | -             | (16,823,686.11) | -              |
| 4/01/2016  | -             | -               | -             | 2,647,232.83  | 2,647,232.83    | -              |
| 6/30/2016  | -             | -               | -             | -             | -               | 11,276,976.06  |
| 7/01/2016  | 2,549,417.75  | (381,473.63)    | 2,167,944.12  | -             | (2,167,944.12)  | -              |
| 10/01/2016 | -             | -               | -             | 14,487,232.83 | 14,487,232.83   | -              |
| 1/01/2017  | 15,209,417.75 | (381,473.63)    | 14,827,944.12 | -             | (14,827,944.12) | -              |
| 4/01/2017  | -             | -               | -             | 2,324,176.58  | 2,324,176.58    | -              |
| 6/30/2017  | -             | -               | -             | -             | -               | (184,478.83)   |
| 7/01/2017  | 2,278,493.75  | (381,473.63)    | 1,897,020.12  | -             | (1,897,020.12)  | -              |
| 10/01/2017 | -             | -               | -             | 14,889,176.58 | 14,889,176.58   | -              |
| 1/01/2018  | 15,538,493.75 | (381,473.63)    | 15,157,020.12 | -             | (15,157,020.12) | -              |
| 4/01/2018  | -             | -               | -             | 1,981,360.33  | 1,981,360.33    | -              |
| 6/30/2018  | -             | -               | -             | -             | -               | (183,503.33)   |
| 7/01/2018  | 1,988,099.75  | (381,473.63)    | 1,606,626.12  | -             | (1,606,626.12)  | -              |
| 10/01/2018 | -             | -               | -             | 15,321,360.33 | 15,321,360.33   | -              |
| 1/01/2019  | 15,898,099.75 | (381,473.63)    | 15,516,626.12 | -             | (15,516,626.12) | -              |
| 4/01/2019  | -             | -               | -             | 1,617,414.08  | 1,617,414.08    | -              |
| 6/30/2019  | -             | -               | -             | -             | -               | (184,477.83)   |
| 7/01/2019  | 1,676,515.75  | (381,473.63)    | 1,295,042.12  | -             | (1,295,042.12)  | -              |
| 10/01/2019 | -             | -               | -             | 15,787,414.08 | 15,787,414.08   | -              |
| 1/01/2020  | 16,291,515.75 | (381,473.63)    | 15,910,042.12 | -             | (15,910,042.12) | -              |
| 4/01/2020  | -             | -               | -             | 1,230,846.58  | 1,230,846.58    | -              |
| 6/30/2020  | -             | -               | -             | -             | -               | (186,823.58)   |
| 7/01/2020  | 1,341,832.25  | (381,473.63)    | 960,358.62    | -             | (960,358.62)    | -              |
| 10/01/2020 | -             | -               | -             | 16,275,846.58 | 16,275,846.58   | -              |
| 1/01/2021  | 16,701,832.25 | (381,473.63)    | 16,320,358.62 | -             | (16,320,358.62) | -              |
| 4/01/2021  | -             | -               | -             | 820,435.33    | 820,435.33      | -              |
| 6/30/2021  | -             | -               | -             | -             | -               | (184,435.33)   |
| 7/01/2021  | 982,408.25    | (381,473.63)    | 600,934.62    | -             | (600,934.62)    | -              |

| \$420,600,000<br>City and County of San Francisco<br>Sewer Revenue Bonds, Series 2003<br>Scenario 4<br>DEBT SERVICE COMPARISON |                |                 |                |                |                 |              |
|--------------------------------------------------------------------------------------------------------------------------------|----------------|-----------------|----------------|----------------|-----------------|--------------|
| Date                                                                                                                           | Total P+I      | DSR             | Net New D/S    | Old Net D/S    | Savings         | FISCAL TOTAL |
| 10/01/2021                                                                                                                     | -              | -               | -              | 16,795,435.33  | 16,795,435.33   | -            |
| 1/01/2022                                                                                                                      | 17,142,408.25  | (381,473.63)    | 16,760,934.62  | -              | (16,760,934.62) | -            |
| 4/01/2022                                                                                                                      | -              | -               | -              | 384,063.46     | 384,063.46      | -            |
| 6/30/2022                                                                                                                      | -              | -               | -              | -              | -               | (182,370.45) |
| 7/01/2022                                                                                                                      | 596,184.25     | (381,473.63)    | 214,710.62     | -              | (214,710.62)    | -            |
| 10/01/2022                                                                                                                     | -              | -               | -              | 1,706,222.02   | 1,706,222.02    | -            |
| 1/01/2023                                                                                                                      | 15,921,184.25  | (13,431,213.14) | 2,489,971.11   | -              | (2,489,971.11)  | -            |
| 4/01/2023                                                                                                                      | -              | -               | -              | 259,420.00     | 259,420.00      | -            |
| 6/30/2023                                                                                                                      | -              | -               | -              | -              | -               | (739,039.71) |
| 7/01/2023                                                                                                                      | 223,786.75     | (107,429.10)    | 116,357.65     | -              | (116,357.65)    | -            |
| 10/01/2023                                                                                                                     | -              | -               | -              | 3,004,420.00   | 3,004,420.00    | -            |
| 1/01/2024                                                                                                                      | 3,128,786.75   | (107,429.10)    | 3,021,357.65   | -              | (3,021,357.65)  | -            |
| 4/01/2024                                                                                                                      | -              | -               | -              | 177,756.25     | 177,756.25      | -            |
| 6/30/2024                                                                                                                      | -              | -               | -              | -              | -               | 44,460.95    |
| 7/01/2024                                                                                                                      | 152,614.25     | (107,429.10)    | 45,185.15      | -              | (45,185.15)     | -            |
| 10/01/2024                                                                                                                     | -              | -               | -              | 3,082,756.25   | 3,082,756.25    | -            |
| 1/01/2025                                                                                                                      | 3,187,614.25   | (107,429.10)    | 3,080,185.15   | -              | (3,080,185.15)  | -            |
| 4/01/2025                                                                                                                      | -              | -               | -              | 91,332.50      | 91,332.50       | -            |
| 6/30/2025                                                                                                                      | -              | -               | -              | -              | -               | 48,718.45    |
| 7/01/2025                                                                                                                      | 78,105.00      | (107,429.10)    | (29,324.10)    | -              | 29,324.10       | -            |
| 10/01/2025                                                                                                                     | -              | -               | -              | 3,161,332.50   | 3,161,332.50    | -            |
| 1/01/2026                                                                                                                      | 3,253,105.00   | (5,223,100.31)  | (1,969,995.31) | -              | 1,969,995.31    | -            |
| 6/30/2026                                                                                                                      | -              | -               | -              | -              | -               | 5,160,651.91 |
| Total                                                                                                                          | 596,858,277.77 | (56,194,919.05) | 540,663,358.72 | 590,514,674.40 | 49,851,315.68   | -            |

## PRESENT VALUE ANALYSIS SUMMARY (NET TO NET)

|                                                         |                 |
|---------------------------------------------------------|-----------------|
| Gross PV Debt Service Savings.....                      | 30,274,566.17   |
| Effects of changes in DSR investments.....              | 18,775,053.68   |
| Net PV Cashflow Savings @ 4.048%(AIC).....              | 49,049,619.85   |
| Transfers from Prior Issue Debt Service Fund.....       | (16,527,548.50) |
| NET PRESENT VALUE BENEFIT.....                          | \$32,522,071.35 |
| NET PV BENEFIT / \$394,417,227 REFUNDED PRINCIPAL.....  | 8.246%          |
| NET PV BENEFIT / \$420,600,000 REFUNDING PRINCIPAL..... | 7.732%          |

## REFUNDING BOND INFORMATION

|                              |           |
|------------------------------|-----------|
| Refunding Dated Date.....    | 1/28/2003 |
| Refunding Delivery Date..... | 1/28/2003 |

Montague DeRose and Associates  
Public Finance

File = SAN FRAN PUC v09.SF-2003 Sewer Refunding (Restructure v1a)-Issue Summary  
11/26/2002 1:01 PM



## San Francisco Public Utilities Commission

# MEMORANDUM

**DATE:** DECEMBER 4, 2002  
**TO:** HARVEY ROSE, BUDGET ANALYST  
**FROM:** BILL BERRY, ASSISTANT GENERAL MANAGER *BW*  
FOR BUSINESS SERVICES, SFPUC  
**SUBJECT:** CLEAN WATER ENTERPRISE REFUNDING

The Commission adopted a resolution yesterday approving the issuance of Clean Water Enterprise refunding bonds and the forms of certain bond-related documents. We are now seeking Board of Supervisor approval for the refunding. The following may be useful background in connection with your office's review of this refunding.

The Clean Water Enterprise is seeking to refund all of the outstanding sewer revenue bonds of the City - Series 1992, Series 1994, Series 1995A and Series 1995B - with an aggregate principal amount outstanding of \$400,945,000. The purpose of the refunding is three-fold:

- Refunding the bonds will result in approximately \$30 million in debt service savings on a net present value basis in the current interest rate environment (the actual savings to be realized will depend on the market conditions at the time of sale);
- The financing plan calls for structuring the refunding bonds so as to smooth out future debt service payments, thus creating financial relief in the near-term and permitting rate increases to be phased in gradually; and
- Refunding all of the outstanding debt affords the opportunity to discharge the old resolution and establish a new indenture. The new indenture will incorporate certain administrative, legislative and legal changes that have occurred since Clean Water last issued bonds in 1995.

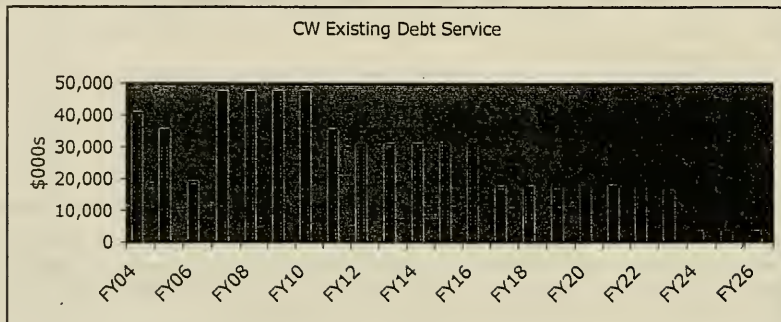
**Outstanding Bonded Debt** - the Clean Water Enterprise has the following bonded indebtedness outstanding.

| Issue    | Outstanding<br>(000's) | Average<br>Remaining<br>Life | Average<br>Remaining<br>Coupon |
|----------|------------------------|------------------------------|--------------------------------|
| 1992     | \$ 171,950             | 6.9 yrs                      | 5.73%                          |
| 1994     | \$ 166,235             | 12.5 yrs                     | 5.33%                          |
| 1995 A&B | \$ 62,760              | 12.1 yrs                     | 6.02%                          |

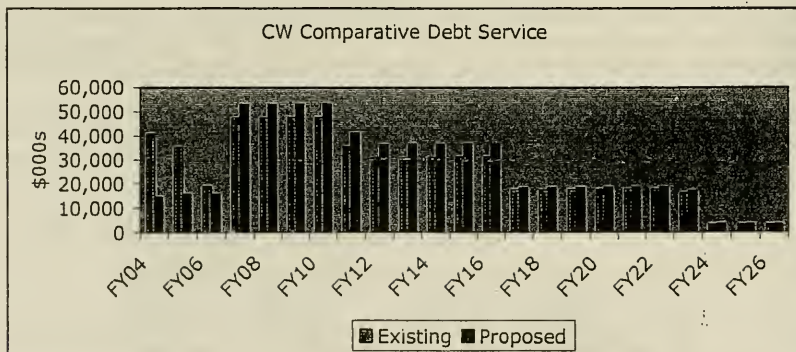
**Today's Interest Rate Environment** – Interest rates are near all-time lows. The bond market, particularly the tax-exempt market, has benefited from the weak economy and stock market, as investors seek more conservative investments. In today's market the average coupon for a Clean Water refunding issue with an average life of 10-1/2 years is approximately 4 percent. This translates to net present value savings of approximately \$30 million.

This refunding issue is on an accelerated schedule to sell by mid-January 2003 to ensure that Clean Water doesn't miss the opportunity to achieve the significant debt service savings.

**Refunding Bonds Structure** – As shown below, Clean Water's outstanding debt service expense drops annually from FY 2003 through FY 2006 and then sharply spikes up in FY 2007.<sup>1</sup>



The current refunding plan calls for structuring the refunding bonds so as to create financial relief in the near-term and to smooth out future debt service payments, thereby allowing for a more gradual increase in sewer rates under the terms of Proposition E. If current interest rates hold, this structure will result in net present value savings of approximately \$30 million, average annual savings of about \$15 million through FY 2006, and average annual increased costs of \$2.9 million from FY 2007 to the final maturity of the bonds in FY 2026. The following chart compares the existing debt service to the proposed debt service. Note that the precise results of the refunding are dependent upon market conditions on the day of sale.



**Indenture** – Refunding all of the outstanding debt affords a unique opportunity to discharge the old resolution and establish a new trust indenture. The resolution, which

<sup>1</sup> As approved by the Board of Supervisors, in November 2001, the Clean Water Enterprise used \$5,585,000 of State Loan proceeds to defease bonds due in FY 2005 and \$22,860,000 of State Loan proceeds to defease bonds due in FY 2006.

creates the legal structure for the security of sewer revenue bonds issued by the City (known as indenture for an enterprise), has not been changed (except for technical amendments) since it was written in connection with bonds sold in 1988.

- Clean Water last issued debt in 1995, at which time it was under the Department of Public Works.
- The new Charter was adopted in 1996 and certain of its provisions are inconsistent with the existing resolution.
- Proposition E, the Charter amendment passed on the November 5, 2002 election, alters, among other things, the SFPUC's procedures for setting rates and issuing revenue bonds

The new indenture has been drafted to not only reflect the administrative and legislative changes that have taken place, but also to update the document by incorporating terms and conditions that balance the current preferences of the credit and investor communities with maintaining features that are favorable to Clean Water. Some of the features of the indenture are:

- The lien position of State Loans has been clarified and is senior to bonded debt service but junior to operation and maintenance expenses, thus preserving the SFPUC's ability to accept future State Loans on either a senior or parity basis, if advantageous.
- The flow of funds now mirrors public utility best practices.
- The sewer rate covenant has been reaffirmed to require the Commission to set and raise rates so that net revenue after the payment of State Loans and plus unappropriated fund balance equal at least 125 percent of debt service.
- The reserve requirement has been changed from average annual debt service to the lesser of maximum annual debt service and average annual debt service.

It is intended that this indenture will govern future Clean Water bond issuances.

The refunding is being managed by SFPUC with legal support from Mark Blake, Deputy City Attorney, and the bond counsel firms of Jones Hall and Leslie Lava, Esq.. Our financial advisors are Montague DeRose and Associates and Gary Kitahata & Company.

If we can provide you with further information, please email me at [wberry@sfwater.org](mailto:wberry@sfwater.org) or call me at (415) 554-2457.

cc: The Honorable Aaron Peskin  
The Honorable Sophie Maxwell  
The Honorable Chris Daly  
Gloria L. Young, Clerk of the Board of Supervisors  
Gail Johnson, Clerk of the Finance Committee  
Monique Moyer, Director Mayor's Office of Public Finance  
Patricia E. Martel, General Manager, SF Public Utilities Commission

Item 9 – File 02-1126

**Department:** Public Utilities Commission (PUC)

**Item:** Resolution authorizing a Third Amendment to a Public Utilities Commission lease with the Santa Clara Sand and Gravel Co., Inc. to extend the existing lease which expired December 31, 2000 until June 30, 2005.

**Location:** 308.5 acres of land owned by the PUC on Parcel 65, adjacent to Interstate 680 on Calveras Road in the Town of Sunol in Alameda County.

**Purpose of Lease:** For operation and maintenance of quarry.

**Lessor:** San Francisco Public Utilities Commission

**Lessee:** Santa Clara Sand and Gravel Co., Inc.

**Number of Acres:** 308.5 acres

**Annual Revenues Payable by Santa Clara Sand and Gravel Co., Inc to the PUC:** Royalty rates of: (a) the greater of 10.5 percent of the gross average sales price per ton of sand and gravel sold or \$0.9723 per ton (an 11.1 percent increase from the prior rate of \$0.875 per ton) of sand and gravel sold from the commencement date of the subject lease<sup>1</sup> (see Comment No. 1), through June 30, 2003, (b) the greater of 10.5 percent of the gross average sales price per ton of sand and gravel sold or \$1.00 per ton (a 2.85 percent increase per ton) in Fiscal Year 2003-2004, and (c) the greater of 10.5 percent of the gross average sales price per ton of sand and gravel sold or \$1.07 per ton (a 7 percent increase per ton) in Fiscal Year 2004-2005, with a minimum royalty amount payable to the PUC of not less than \$500,000 per fiscal year. The royalty rate, to be paid monthly, is based on the sale of sand and gravel,

---

<sup>1</sup> The Third Amendment is for approximately 30 months, from the date of final approval by the Board of Supervisors and the Mayor through June 30, 2005, but the Santa Clara Sand and Gravel Company has agreed to pay the City the proposed rate of \$0.9723 per ton retroactive from January 1, 2002. Therefore, revenue projections for the Third Amendment are based on the full Fiscal Year 2002-2003.

including overburden<sup>2</sup> by the Santa Clara Sand and Gravel Company to its customers.

These royalty rates are projected to produce the following annual revenue according to the PUC:

- Fiscal Year 2002-2003: \$975,290
- Fiscal Year 2003-2004: \$1,003,075
- Fiscal Year 2004-2005: \$1,073,290

**Security Deposit  
Required of**

**Lessee:** \$200,000 bond in case of default or damages

**Extended Lease  
Period:**

Approximately thirty months, from the date of final approval by the Board of Supervisors and the Mayor through June 30, 2005.

**Right of Renewal:** None

**Description:**

The proposed resolution would authorize the PUC to extend the existing 20-year lease, which has been extended on a month-to-month basis for over 20 months (see below), by approximately 30 months until June 30, 2005 with the Santa Clara Sand and Gravel Company covering approximately 308.5 acres of land for the operation of a quarry located on Parcel 65 in the Town of Sunol in Alameda County. Currently, the PUC leases 744 acres of PUC-owned land in Alameda County for aggregate mining operations, which include areas mined plus non-mineable areas. The PUC has two leases for the 744 acres, one with the Mission Valley Rock Company which is currently leasing 427 acres from the PUC, or 57.4 percent of the 744 acres, and one with the Santa Clara Sand and Gravel Company which is currently leasing 317 acres from the PUC, or the remaining 42.6 percent of the 744 acres. According to Mr. Gary Dowd of the PUC, the Santa Clara Sand and Gravel Company lease expired on December 31, 2000, and the PUC has since been leasing the subject property to the Santa Clara Sand and Gravel Company on a month-to-month basis

---

<sup>2</sup> Overburden is the additional clay and soil material that is required to be excavated from the quarry site that is not useable for construction material and would be sold at significantly lower prices as topsoil or other related purposes.

from January 1, 2001 to date or a period of over 20 months (see Comment No. 3).

The existing lease with the Santa Clara Sand and Gravel Company, which began on December 31, 1980, was originally for approximately 272 acres of land with a royalty rate of \$0.30 per ton of gravel sold from the site, with a minimum royalty amount of \$125,000 per year. The lease allowed the Company to (1) operate and maintain a gravel and sand quarry in accordance with the PUC's preferred mining plan; (2) pay to the PUC \$0.30 per ton of sand and gravel removed from the premises, with CPI adjustments to the royalty rate on an annual basis, with a minimum royalty amount of not less than \$125,000 per year and (3) perform all mitigation measures as set forth in the Alameda County mining permit and the subject lease agreement, in order to minimize the impact of the mining activity on surrounding lands.

In June of 1986, as previously approved by the Board of Supervisors (File 65-86-5), the PUC amended the lease (First Amendment), which increased the royalty rate by \$0.20 per ton from \$0.30 per ton to \$0.50 per ton with a minimum royalty amount of not less than \$200,000 per year, with annual Construction Cost Index adjustments. In addition, the amendment increased the permissible depth of the gravel pits from 100 feet to 140 feet. In January of 1994, the Second Amendment was approved by the Board of Supervisors (File 65-94-6), which increased the lease area by 45 acres from approximately 272 acres to 317 acres, and increased the royalty rate by \$0.07 per ton from \$0.50 per ton to \$0.57 per ton. Mr. Dowd reports that the royalty rate for Calendar Year 2001 was adjusted from \$0.57 per ton to \$0.875 per ton, or by \$0.305 per ton in accordance with the Construction Cost Index for San Francisco, as provided for in the Second Amendment and as explained in Attachment I, provided by the PUC.

Attachment I shows the amount of PUC-owned land leased to the Santa Clara Sand and Gravel Company, and the royalty rates proposed under the subject Third Amendment. In Attachment I Mr. Dowd explains the basis of the proposed royalty rates. According to Mr.

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

Dowd, the Santa Clara Sand and Gravel Company mined 1,133,486 tons in 1999, 1,053,197 tons in 2000 and 822,542 tons in 2001. Mr. Dowd further reports that the Santa Clara Sand and Gravel Co., Inc paid royalty amounts to the PUC in the following amounts: (a) \$907,922 in 1999; (b) \$843,611 in 2000; and (c) \$719,724 in 2001. Mr. Dowd reports that under the Third Amendment there would be no Construction Cost Index or other adjustments to the royalty rates during the extended term. However, Mr. Dowd states that the proposed minimum royalty amount would increase from \$200,000 per year to \$500,000 per year under the proposed Third Amendment. Attachment III is a memorandum from Mr. Dowd, which provides additional information on the proposed royalty rates per ton.

The proposed Third Amendment to the Lease would decrease the Santa Clara Sand and Gravel Company lease area by 8.5 acres from approximately 317 acres to approximately 308.5 acres. According to Mr. Dowd, the PUC is decreasing the current lease area because the subject 8.5 acres is separated by the Alameda Creek and cannot be mined by the Santa Clara Sand and Gravel Company due to its inaccessible location. Mr. Dowd reports that the PUC plans to issue a new month-to-month lease to the Mission Valley Rock Company covering the 8.5 acres because the 8.5 acres is adjacent to one of the Mission Valley Rock Company's existing leases. Mr. Dowd advises that it is anticipated the 8.5 acres will take approximately one year to mine.

**Comments:**

1. The subject Third Amendment to the Lease is for approximately 30 months, from the date of final approval

by the Board of Supervisors and the Mayor through June 30, 2005. However, the Santa Clara Sand and Gravel Company has agreed to and has been paying the PUC the royalty rate of \$0.9723 per ton retroactively for sand and gravel sold to its customers since January of 2002.

2. In Attachment II, Mr. Joshua Milstein of the City Attorney's Office reports that in September of 2000 the PUC adopted the Alameda Watershed Management Plan, which contains policy for the continuation of mining and ultimate reclamation of the subject mining area located in the Sunol Valley as water storage reservoirs. Mr. Milstein further states that the PUC is now requesting an extension to the subject lease in order to provide the PUC with adequate time to complete planning studies for expanding the mining on the subject acres as proposed in the Alameda Watershed Management Plan and to conduct a competitive Request for Proposal (RFP) process for the expansion of the mining. Mr. Milstein reports that the additional analysis is needed because the Alameda Watershed Management Plan looked at the mining at a "program" level and not on a "project" level. Mr. Dowd estimates that the RFP would occur in February of 2003 for a lease term of approximately 20 years, which he advises is the estimated length of time for the quarry pit to be excavated.

3. The PUC initially awarded a 25-year lease to the Santa Clara Sand and Gravel Company in 1968. The 1968 25-year lease was amended in 1980 as approved by the Board of Supervisors and replaced with the existing 20-year lease (File 468-80). Therefore, the Santa Clara Sand and Gravel Company has been leasing at least some portion of the subject 308.5 acres of land for approximately 35 years. The Budget Analyst requested information on the bidding process for the original lease. Mr. Dowd states in Attachment IV that the PUC is unable to explain whether or not the initial lease in 1968 with the Santa Clara Sand and Gravel Company was awarded through a competitive bid process. Mr. Dowd states in Attachment IV that the proposed subject approximate 30-month lease extension with the Santa Clara Sand and Gravel Company is not being put out for competitive bid because any new operator would have to invest substantial capital in order to operate the quarry

**BOARD OF SUPERVISORS**

**BUDGET ANALYST**

and that the lease extension will allow the PUC to obtain additional environmental studies needed before a long-term lease is issued. The Budget Analyst questions why the PUC needs another 30-month extension to this existing lease at this time, without the use of competitive bidding procedures, when the existing lease has been extended on a month-to-month basis for the past 20 plus months.

In Attachment III Mr. Dowd states that the PUC has maintained the existing lease on a month-to-month basis for over 20 months, without the approval of the Board of Supervisors for a new lease, in order to conduct a "comprehensive study of the potential for existence of endangered species at the subject lease area."

4. The proposed Third Amendment to the Lease also permits the City to request that the Santa Clara Sand and Gravel Company sell sand, road base, drain rock and other mined materials or products to the City, as needed, at the lowest rate that the Santa Clara Sand and Gravel Company charges to its wholesale customers, in exchange for a credit against the monthly royalty payments. Mr. Dowd reports that the PUC Watershed staff estimate that the PUC would purchase approximately \$50,000 annually of sand, road base, drain rock and other mined material from the Santa Clara Sand and Gravel Company to upgrade and improve existing roads within the PUC watershed area.

5. According to the proposed Third Amendment to the Lease and as explained in Attachment I, the Santa Clara Sand and Gravel Company would pay to the PUC a sum not to exceed \$100,000 for the funding of a hydrologic study of Alameda Creek. The hydrologic study would determine the impact of future mining expansion on the Alameda Creek's aquatic resources, in order to minimize the impacts and restore the Alameda Creek to a more natural appearance and function.

**Recommendation:** Approval of the proposed resolution is a policy matter for the Board of Supervisors because the Budget Analyst questions why the PUC needs another 30-month extension of the existing lease (which was originally awarded in 1968 and amended in 1980) with the Santa Clara Sand and Gravel Company without the use of competitive bidding procedures when the existing lease has been extended by the PUC on a month-to-month basis for the past 20 plus months.



**WATER**  
**HETCH HETCHY**  
**WATER & POWER**  
**CLEAN WATER**

WILLIE L. BROWN, JR.  
 MAYOR

ANN MOLLER CAEN  
 RESIDENT  
 DENNIS NORMANDY  
 ICE PRESIDENT  
 SHOK KUMAR BHATT  
 EFFREY A. CHEN  
 ROBERT J. COSTELLO

ATRICIA E. MARTEL  
 GENERAL MANAGER

## SAN FRANCISCO PUBLIC UTILITIES COMMISSION

1155 MARKET ST., 5TH FLOOR, SAN FRANCISCO, CA 94103 • TEL (415) 487-5210 • FAX (415) 487-5200



### MEMORANDUM

**DATE:** October 9, 2002

**TO:** Finance and Labor Committee Members

**FROM:** Garrett M. Dowd, Director  
 SFPUC Bureau of Commercial Land Management

**SUBJECT:** **THIRD AMENDMENT TO LEASE TO SANTA CLARA SAND AND GRAVEL CO., INC.**

### Recommended Action

Authorizing a Third Amendment to Lease between the City and County of San Francisco and Santa Clara Sand and Gravel Co., Inc., Lessee, for SFPUC land located in the Town of Sunol. The property will be used for the operation of a gravel quarry.

### Background

In 1980, the SFPUC entered into a Lease agreement with Santa Clara Sand & Gravel for approximately 272 acres of land located in Sunol for the operation of a quarry. The royalty rate was \$0.30 per ton of gravel removed from the site.

In June 1986, the SFPUC amended the original Lease with the First Amendment to Lease. The first amendment increased the royalty rate to \$0.50 per ton and increased the permissible depth of the gravel pits from 100 feet to 140 feet.

In January 1994, the SFPUC amended the original Lease with the Second Amendment to Lease. The second amendment increased the lease area by 45 acres from approximately 272 acres to 317 acres, increased the royalty rate to \$0.57 per ton with annual adjustments based on the Construction Cost Index and extended the term of the Lease to December 2000.

Lessee has been on a month-to-month holdover pending review of Environmental issues by the San Francisco Planning Department.

### Analysis/Reason for Recommendation

This Third Amendment to Lease will extend Santa Clara Sand and Gravel's existing operations under the lease term to June 30, 2005. It will also

decrease the lease area by 8.5 acres from approximately 317 acres to approximately 308.5 acres. The SFPUC is decreasing Santa Clara Sand and Gravel's current lease area because the 8.5 acres is cut off from their mining operation by Alameda Creek and therefore cannot be mined. The three-year extension is being granted to allow the SFPUC adequate time to complete planning studies and an RFP process in which the property will be put out to bid under a much longer-term contract. It is estimated the formal bid process and approval to modifications of the existing Surface Mining Permit will take approximately three years, during which time further environmental assessment will take place for proposed lease expansion under guidelines set forth in the Alameda Watershed Management Plan.

The royalty rate for the Extended Term will be as follows:

Fiscal Year 2002-2003: The greater of 10.5% of the gross average sales price per ton sold or \$0.9723/ton.

Fiscal Year 2003-2004: The greater of 10.5% of the gross average sales price per ton sold or \$1.00/ton.

Fiscal Year 2004-2005: The greater of 10.5% of the gross average sales price per ton sold or \$1.07/ton.

The above rates are based on an industry standard wherein rental rates equal 10.5 % of the average price per ton of materials sold. The rates for the 2003 and 2004 calendar are based on anticipated projections and favor the SFPUC in that the fees will be paid regardless of potential economic downturns. There will be no CPI or other adjustment to the royalty rate during the Extended Term. All other terms and provisions relating to payment of the royalty rate and the annual minimum royalty payment shall remain as set forth in the First Amendment to Lease.

This Third Amendment to Lease will also have additional language added to the Lease. Santa Clara Sand & Gravel will provide to City, at City's request, aggregate from Santa Clara Sand and Gravel mining on the Premises to the extent Santa Clara Sand and Gravel has not previously committed such aggregate to another customer. The aggregate is to be used within the SFPUC watersheds to upgrade and improve existing roads. Santa Clara Sand & Gravel will receive a rent credit against the next payment(s) of rent in the amount of the rate then being charged by Santa Clara Sand and Gravel for such aggregate. If Santa Clara Sand and Gravel charges different rates to

different customers, City shall be charged the cheapest rate that Santa Clara Sand and Gravel charges to its most valued customers for the same material.

Santa Clara Sand & Gravel has also agreed to pay to City a sum not to exceed \$100,000 for purposes of funding a hydrologic study. The purpose of the hydrologic study is to determine the impacts, if any, on aquatic resources of Alameda Creek arising out of future mining expansion under Mining Permit SMP 30, and to suggest appropriate measures to minimize these impacts and to restore the adjacent Alameda Creek channel to a more natural appearance and function, as contemplated in the Alameda Watershed Management Plan.

The Non-Discrimination and Tropical Hardwoods and Virgin Redwoods sections of the current Lease will be replaced with new sections to reflect the new provisions the City has implemented after the Second Amendment.

The following new sections will be added to the Lease to reflect the new codes and ordinances adopted by the City: No Relocation Assistance; Waiver of Claims; Conflicts of Interest, Pesticide Ordinance, EIC Forms, No Tobacco Advertising, and False Claims.

This Third Lease Amendment will extend the term of Santa Clara Sand and Gravel's Lease to June 30, 2005. There will be no expansion of mining operations under the proposed amendment, which simply extends the term of the existing lease.

Attached is the agenda item by which the SFPUC approved the Third Amendment to Lease.

### **Fiscal Implications**

None.

Attachment

## CITY AND COUNTY OF SAN FRANCISCO

## OFFICE OF THE CITY ATTORNEY



DENNIS J. HERRERA  
City Attorney

JOSHUA D. MILSTEIN  
Deputy City Attorney

DIRECT DIAL: (415) 554-4211  
E-MAIL: JOSHUA\_D\_MILSTEIN@ci.sf.ca.us

## MEMORANDUM

TO: Leanne Nhan, Budget Analyst's Office

FROM: Joshua D. Milstein  
Deputy City Attorney

DATE: July 9, 2002

RE: Proposed Three-Year Renewal of Santa Clara Sand & Gravel Mining Lease (San Francisco Public Utilities Commission Property)

---

This is in response to your request for a background memo on the proposed lease extension.

The SFPUC has leased portions of its Alameda Watershed holdings for gravel mining for over 30 years. The lease extension under consideration by the Board is located at the upstream end of Sunol Valley. The area has been mined extensively to date. The lease area is approximately 1 to 2 miles upstream from the Sunol Water Temple.

In September 2000 the SFPUC adopted the Alameda Watershed Management Plan (Plan). One component of the Plan, the Sunol Valley Resource Management Element, contained policy for continuation of mining and ultimate reclamation of the area as water storage reservoirs. The SFPUC water system needs additional water storage to meet current and future demand for water in the SFPUC service area in San Francisco, San Mateo, Santa Clara and Alameda Counties.

The Sunol Valley Resource Management Element of the Plan called for maximizing mining revenue and future water storage in Sunol Valley. At the conclusion of mining in Sunol Valley the SFPUC will have available approximately 65,000-acre feet of additional water storage space available in phases over time as mining is completed. This is the equivalent of another Crystal Springs Reservoir. In essence, the mining lessees are paying the City (through royalty revenues) to dig reservoirs, which are difficult to construct today due to ever increasing environmental restrictions.

The Plan looked at mining in Sunol Valley on a "program" level, meaning that future proposed expansion of mining would require project-level environmental analysis. Future expansion of mining in the lease area will take place after the conclusion of the proposed three year extension before the Board, and would primarily deepen the mined area to 200 feet from the current 140 depth, with some slight expansion of mining area boundaries. The Plan also contemplated mining of the area under the existing gravel processing plant so that reservoir storage space would be maximized.

**Memorandum  
Privileged & Confidential**

TO: Leanne Nhan, Budget Analyst's Office  
 DATE: July 9, 2002  
 PAGE: 2  
 RE: Proposed Three-Year Renewal of Santa Clara Sand & Gravel Mining Lease (San Francisco Public Utilities Commission Property)

---

The proposed lease extension before the Board would continue the *existing* mining operation for an additional three years. A three-year extension was chosen for the following reasons:

1. The planning horizon for expansion of mining will take several years. During the three-year lease extension, the SFPUC will put the future expansion of mining out to bid under an RFP process to generate maximum interest and royalty revenue to the SFPUC. The winning proposer will be responsible for obtaining modifications to the existing mining permit from Alameda County.<sup>1</sup> Based on the mining permit modification, the County will conduct environmental review of the mining expansion and incorporate mitigation measures suggested by the hydrologic study referred to below. These measures will likely include installation of a clay cutoff wall to prevent infiltration of Alameda Creek water into the mining pit, along with creek restoration measures in this part of Sunol Valley that are needed to enable the passage of steelhead trout from SFPUC watershed lands to San Francisco Bay.<sup>2</sup>
2. The Plan called for implementation of certain mitigation measures prior to *expansion* of mining. Surveys are required for threatened and endangered frog and salamander species and corrective actions are to be taken if the species are found in ponds on the lease area. A hydrologic study is also required to evaluate the effect of mining *expansion* on the adjacent Alameda Creek. Water from Alameda Creek currently percolates into the active mining pit, complicating the SFPUC's efforts to work with interested agencies and environmental groups to reestablish an anadromous steelhead run in Alameda Creek. Although the matter before the Board does not involve a lease *expansion*, prudent planning requires the SFPUC to evaluate and, barring overriding considerations, adopt mitigation measures identified in the County's environmental document for the lease expansion. The proposed lease extension requires the lessee to undertake the necessary studies, which will result in the crafting of effective mitigation measures that can be implemented in the future lease expansion in accordance with the Plan.

At the close of the proposed three-year lease extension, the SFPUC will be prepared to issue a new long-term lease for mining expansion in accordance with the Plan. The result will be an assured revenue stream for the SFPUC; future water storage; and significant creek restoration activities to accommodate an anadromous steelhead run, which is expected to have access to this part of the watershed in 2005-06 after barriers to fish migration in the Fremont area (owned by parties other than the City) are modified to allow fish passage upstream from the Bay. The proposed three-year lease extension before the Board is thus structured to avoid having the

<sup>1</sup> San Francisco does not have a surface mining ordinance under the State Mining and Reclamation Act (SMARA), necessitating use of the County's SMARA process.

<sup>2</sup> These cutoff walls have been very effective in preventing water intrusion in other mining leases. Continuation of mining under the proposed lease is essential to resolving this issue so that the SFPUC will not have to pay for installation of the cutoff walls and other creek restoration measures.

**Memorandum  
Privileged & Confidential**

TO: Leanne Nhan, Budget Analyst's Office  
DATE: July 9, 2002  
PAGE: 3  
RE: Proposed Three-Year Renewal of Santa Clara Sand & Gravel Mining Lease (San Francisco Public Utilities Commission Property)

---

SFPUC pay for project development costs (e.g. preparation of the County's environmental analysis) and to dovetail with ongoing water resource and restoration planning efforts.

If I can answer any further questions please give me a call.

J.D.M.

cc: P. Martel  
G. Dowd  
M. Carlin  
J. Naras  
V. Clayton  
T. Lakey

DATE: October 8, 2002

TO: Sarah Graham, Budget Analyst Office

FROM: Garrett M. Dowd, Director  
SFPUC, Real Estate Services

RE: Proposed Three-Year Lease Renewal of Santa Clara Sand and Gravel  
(SCS&G) Mining Lease with the San Francisco Public Utilities Commission

This is in response to your request for further detail as related to the negotiated rental rate structure for the above-referenced lease.

It was initially anticipated that the Third Lease Amendment extending the lease term for three years would coincide with the December 31, 2000 expiration date of the original lease. However, due to circumstances beyond staff's control; namely environmental clearance issues, approval of the Third Lease Amendment has been delayed more than two years. This delay, based on recommendations from the City Attorney's Office, resulted in a far more comprehensive study of the potential for existence of endangered species at the subject lease area; namely the California Red-Legged Frog and California Tiger Salamander. Neither species was located at the site.

Given the delay in approval of the Third Lease Amendment the existing lease continued on a month-to-month basis and staff and the lessee agreed to adjust the rent for the 2001 calendar year based on existing provisions in the old lease. Thus, on January 1, 2001 the rent was increased to \$.875 per ton based on changes in the Construction Cost Index for San Francisco as provided for in Article 4B, page 4, of the Supplemental Agreement in Modification to the Lease dated June 20, 1986.

On January 1, 2002, the Third Amendment had still not been approved and environmental clearance was still pending. In an effort to increase royalties to the City and bring the lease to Fair Market Value sooner rather than later staff demanded that SCS&G begin paying the greater of 10.5% of the gross average sales price per ton sold or \$.9723 per ton as of January 1, 2002. The lessee agreed and has been paying the increased tonnage rate. Additional adjustments are scheduled for Fiscal year 2003-2004 (greater of 10.5% or \$1.00 per ton) and Fiscal year 2004-2005 (greater of 10.5% or \$1.07 per ton). These adjustments will keep the lease at Fair Market Value and protect the City from any unforeseen downturns in the market.

The SFPUC's revenue projections are based on (1) a royalty rate of \$.9723 per ton in Fiscal Year 2002-2003, \$1.00 per ton in Fiscal Year 2003-2004, \$1.07 per ton in Fiscal Year 2004-2005, and (2) an estimated 1,003,075 tons of materials quarried annually, based on the average tons quarried in the past three years. Based on these projections, the proposed Amendment to the lease is projected to generate an estimated \$2,726,558

during the approximate three year extended period, or \$975,290 in Fiscal Year 2002-2003, \$1,003,075 in Fiscal Year 2003-2004, and \$1,073,290 in Fiscal Year 2004-2005.

Finally, I wanted to address your question related to royalties being based on a percentage (10.5%) of the gross average sales price per ton sold. This method is an industry standard and was supported by an independent auditor hired by the SFPUC in 1994. In order to maintain consistency throughout the lease term the same approach has been applied to the three-year extension. The annual royalty rate of at least 10.5 percent of the annual average sales price per ton was established to protect the City from any downturns in the market for sand and gravel.

If I can offer any further assistance please feel free to contact me at (415) 487-5211.

DATE: October 25, 2002

TO: Sarah Graham, Budget Analyst Office

FROM: Garrett M. Dowd  
Director, SFPUC, Real Estate Services

RE: Proposed Three-Year Lease Extension of Santa Clara Sand and Gravel  
(SCS&G) Mining Lease L-3430A, San Francisco Public Utilities Commission

This is in response to your request for further detail as to why the above referenced Lease Extension was not put out to bid and whether or not the original Lease was ever put out to bid.

The Lease was not put out to bid at this time because of the fact that any new operator would have to invest substantial capital (millions of dollars) in order to operate the quarry. The existing processing plant and other equipment is owned by SCS&G. No company would be willing to bid on a short-term (30 month) arrangement or be prepared to expend the necessary capital needed to continue the mining operation without interruption for such a short time. I also call your attention to page two of the City Attorney's memo dated July 9, 2002 in which he explains the various steps that must be taken before a long-term lease agreement can be put out bid.

This extension with SCS&G clearly works to the City's benefit in that the City is raising royalty rates while in the process of obtaining environmental studies needed before a long-term lease is issued and SCS&G is being asked to pay up to \$100,000.00 toward those studies. It is in fact possible that the lease could have been left on a month-to-month tenancy until such time as the SFPUC was prepared to issue a long-term lease but the benefits mentioned above may not have been realized.

As to your question of how the initial lease was awarded back in the 1960's and whether or not it was subject to competitive bidding please note I have thoroughly researched SFPUC records contained at our offices and have found no information regarding how the original lease was awarded. I only know it was in fact approved by both the SFPUC and San Francisco Board of Supervisors.

Items 10 and 11 – Files 02-1878 and 02-1882

**Department:** Public Library

**Items:** **File 02-1878:** Resolution authorizing a new lease of 2,686 square feet of space at the Main Library to the Friends and Foundation of the San Francisco Public Library for administrative office space.

**File 02-1882:** Resolution authorizing a new lease of 387 square feet of space at the Main Library to the Friends and Foundation of the San Francisco Public Library for the operation of a bookstore.

**File 02-1878**

**Location:** Main Library, 100 Larkin Street, sixth floor.

**Purpose of Lease:** Administrative office space for the Friends and Foundation of the San Francisco Public Library. The space is to be used only for fundraising and community programs benefiting the San Francisco Public Library, including the Main Library and all Branch Libraries. Currently the space is being used by the Friends and Foundation of the San Francisco Public Library for administrative office space for fundraising and community programs for the San Francisco Public Library. The Public Library has permitted the Friends and Foundation to use this space since April of 1996 without a lease.

**Lessor:** City and County of San Francisco through the Public Library

**Lessee:** Friends and Foundation of the San Francisco Public Library (Friends and Foundation)

**Term of Lease:** Eighteen months, commencing upon approval by the Board of Supervisors. The lease is estimated to begin January 1, 2003, according to Mr. Charlie Dunn of the Real Estate Division.

**No. of Sq. Ft. and  
Monthly Rental Revenues  
Payable by Friends  
and Foundation  
to the City:**

2,686 square feet at a monthly rate of \$5,148.17 (approximately \$1.92 per square foot per month), totaling \$61,778 per year (\$23.00 per square foot per year) for the 18 month term of the proposed lease.

**Right of Renewal:** None.

**Utilities, Maintenance and  
Repairs, and Janitorial  
Services:**

The Public Library will provide all utilities, including heat, ventilation and air conditioning, water, maintenance and repairs and janitorial services at no additional cost to the Lessee.

**Tenant  
Improvements:** None.

**File 02-1882**

**Location:** Main Library, 100 Larkin Street, ground floor.

**Purpose of Lease:** Retail space for the Friends and Foundation of the San Francisco Public Library for the operation of a bookstore. The Public Library has permitted the Friends and Foundation to use the space since April of 2001 without a lease.

**Lessor:** City and County of San Francisco, through the Public Library

**Lessee:** Friends and Foundation of the San Francisco Public Library (Friends and Foundation)

**Term of Lease:** Approximately four years and ten months, commencing upon approval by the Board of Supervisors and expiring October 31, 2007. The lease is estimated to begin January 1, 2003, according to Mr. Dunn.

**No. of Sq. Ft. and  
Base Rent Payable  
by Friends  
and Foundation  
to the City:**

387 square feet at a monthly rate of \$774 (\$2.00 per square foot per month), totaling \$9,288 per year (\$24.00 per square foot per year) for each of the five years of the proposed lease. According to Ms. Susan Hildreth, the City Librarian, this lease does not provide for any cost of living adjustment during the five year lease period, because during that five year period, the Public Library projects that the contribution of the Friends and Foundation will exceed \$300,000, therefore abating the rent as discussed below.

**Abatement of Base  
Rent:**

In the event the Lessee donates more than \$300,000 to the Public Library during the previous calendar year, the Rent of \$9,288 per year for the bookstore space would be abated and the Lessee would pay rent of only \$1.00 per year. Ms. Hildreth notes that the \$300,000 threshold significantly exceeds the fair market value of the rent, which is reported to be \$9,288 annually.

**Right of Renewal:**

Option to extend for three additional five-year periods. The Lessee may exercise an Extension Option at any time during the term at least 180 days before the Expiration Date. In the first year of each five-year option, the Base Rent would be adjusted for a cost of living increase (COLA) based on the Consumer Price Index.

**Utilities, Maintenance and  
Repairs, and Janitorial  
Services:**

The Public Library will provide all utilities, including heat, ventilation and air conditioning, water, maintenance and repairs and janitorial services at no additional cost to the Lessee.

**Tenant  
Improvements:**

None.

**Description:**

The two proposed resolutions would approve two new leases between the City and the Friends and Foundation for: (i) 2,686 square feet located on the sixth floor of the Main Library for the administrative offices for the

Friends and Foundation, and (ii) 387 square feet located on the ground floor of the Main Library for the operation by the Friends and Foundation of a bookstore. The Friends and Foundation currently occupy the 2,686 square feet of office space on the sixth floor of the Main Library and the 387 square foot bookstore space on the ground floor of the Main Library. In Attachment I, Ms. Hildreth explains why the Public Library has permitted the Friends and Foundation to occupy the 2,686 square feet of office space since April of 1996 and the 387 square feet bookstore space since April of 2001 without a lease and at no rental cost to the Friends and Foundation.

**Comments:**

1. Ms. Hildreth reports that the Friends and Foundation is a volunteer organization dedicated to fundraising to support the Public Library. The Friends and Foundation, a 501 (c) 3 nonprofit organization, was formed out of the July 1, 1999 merger of two organizations formerly known as the Friends of the San Francisco Public Library and the Library Foundation of San Francisco, according to Ms. Hildreth.

2. As shown in Attachment II, provided by the Public Library, Ms. Hildreth reports that the Friends and Foundation has contributed \$1,587,200 to the Public Library in FY 2000-2001 and \$1,152,420 in FY 2001-2002. Ms. Hildreth states that the Public Library expects the Friends and Foundation to contribute at least \$1,000,000 in FY 2002-2003. Ms. Hildreth states in Attachment III that "none of the revenue generated in 2001/02 was a result of proceeds from the sale of Library discards, as the Friends & Foundation has not sold Library discarded materials in any of their book sales." Attachment III also contains a Statement of Activities for the Friends and Foundation, which shows all revenue and support for FY 2001-2002. However, in accordance with a City Attorney's opinion in Attachment III, the Friends and Foundation will be selling discarded books of the Public Library beginning December 6, 2002.

3. Mr. Dunn reports that the fair market value of the administrative office space is \$61,778 on an annual basis, or \$23.00 per square foot per year, which is the proposed rent under the proposed lease (File 02-1878). According to Mr. Dunn, the fair market value of the bookstore space is

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

\$9,228 on an annual basis, or \$24.00 per square foot per year, which is the proposed rent under this lease if the Friends and Foundation do not contribute at least \$300,000 to the Public Library each year (File 02-1882).

4. Mr. Dunn reports that the proposed lease with the Friends and Foundation for the 2,686 square feet of office space (File 02-1878), provides that the Friends and Foundation could terminate the lease at any time with 90 days written notice in order to allow the Friends and Foundation to relocate from the Main Library as soon as a suitable space can be found. Ms. Hildreth reports that the Public Library is proposing a term of 18 months under that proposed lease to allow the Friends and Foundation sufficient time to find new office space and to provide that the 2,686 square feet is vacated by the Friends and Foundation. Ms. Hildreth advises that the sixth floor of the Main Library, where the 2,686 square feet is located, was not built to support the weight load of books. Therefore, Ms. Hildreth reports, once vacated by the Friends and Foundation, the 2,686 square feet on the sixth floor will most likely be used for Public Library administration offices or for office space for Main Library staff.

5. The Statement of Activities for the Friends and Foundation, contained in Attachment III, states that the Friends and Foundation had total revenue and support of \$2,597,745 in FY 2001-2002. Ms. Hildreth reports that, of that amount, \$182,000 was realized in total revenue from the operation of the bookstore in the Main Library.

**Recommendation:** Approve the proposed resolutions.



Memorandum

*San Francisco Public Library*

100 Larkin Street, San Francisco, CA 94102

To: Harvey Rose, Budget Analyst

From: Susan Hildreth, City Librarian JH

Re: Friends &amp; Foundation Occupancy of Space in the Main Library

Date: December 2, 2002

The Friends of the San Francisco Public Library and the Library Foundation of San Francisco occupied space in the Main Library since its opening in April 1996 based on memorandums of understanding (MOU) with the City and County of San Francisco. Both of these memorandums expired on June 30, 1999. On July 1, 1999, the Friends of the San Francisco Public Library and the Library Foundation of San Francisco merged into one entity, the Friends & Foundation of the San Francisco Public Library (FFOL).

The Library and the FFOL drafted a revised MOU which continued to provide office space for the FFOL at a cost of \$1 per year based on a minimum of \$200,000 annually donated to or spent on behalf of the San Francisco Public Library. This proposed MOU was heard by the Finance Committee in August 2000 and referred back to the Library Commission. Concerns identified by the Finance Committee in the proposed MOU were the FFOL use of space in the Main Library that could be reallocated to other library uses and the minimum contribution level required for provision of space at no charge. The Library Commission and the FFOL did approve a revised MOU, which included language that required the FFOL to relocate from the Main Library space by June 30, 2004 and increased the minimum annual contribution level to \$300,000. This revised MOU also included the provision to allow of the use of the book store space by the FFOL. This MOU was not re-introduced to the Board of Supervisors due to changes in leadership at the FFOL. Based on past MOU's and the 2000/01 and 2001/02 contributions of over \$1 million made by the FFOL to the San Francisco Public Library, the spaces continued to be provided to the FFOL at no charge.

In March 2002, Martin Gomez, the new executive director of the FFOL, was hired. In reviewing the revised MOU, Mr. Gomez and I determined that the only outstanding issue in the revised MOU was the FFOL use of space in the Main Library. In reviewing this matter with City Attorney and with the Real Estate Division, it was recommended that leases be drafted for both spaces. Because the office space could be readily used for library purposes, it was determined that a fair market value lease was in order. The FFOL are actively seeking new space and will be relocating from the Main Library as soon as possible. The "Book Bay at the Main" provides an excellent service to the public and makes good use of a previously unprogrammed and unattractive area at the Grove Street entrance to the Main Library. Please contact me if you need any further information.



Friends & Foundation of the San Francisco Public Library  
 Support to the San Francisco Public Library  
 Fiscal Year ending June 30, 2002 .

**Library Support by Programmatic Area**

|                                                   |                            |
|---------------------------------------------------|----------------------------|
| Capital Projects                                  | \$ 225,576                 |
| Children's Programming                            | 118,914                    |
| Project Read                                      | 112,621                    |
| Library Centers/Departments/Branches              | 388,164                    |
| Library Staff & Volunteer Support                 | 50,158                     |
| Programs & Exhibitions                            | 101,788                    |
| Public Affairs                                    | 49,797                     |
| Other Library Support                             | <u>105,402</u>             |
| <b>Total Library Support by Programmatic Area</b> | <b><u>\$ 1,152,420</u></b> |



Friends & Foundation of the San Francisco Public Library  
Support to the San Francisco Public Library  
Fiscal Year ending June 30, 2001

Library Support by Programmatic Area

|                                            |                     |
|--------------------------------------------|---------------------|
| Capital Projects                           | \$ 543,651          |
| Children's Programming                     | 120,547             |
| Sponsored Projects (Project Read, etc.)    | 217,307             |
| Library Centers/Departments/Branches       | 347,893             |
| Library Staff & Volunteer Support          | 50,201              |
| Programs & Exhibitions                     | 128,211             |
| Public Affairs                             | 73,064              |
| Other Library Support                      | <u>106,326</u>      |
| Total Library Support by Programmatic Area | <u>\$ 1,587,200</u> |



*San Francisco Public Library*  
100 Larkin Street, San Francisco, CA 94102

Memorandum

To: Harvey Rose, Budget Analyst

From: Susan Hildreth, City Librarian *SH*

Re: Sources of Funds for Friends & Foundation of the San Francisco Public Library

Date: December 3, 2002

Attached to this memo is the "Statement of Activities" from the Friends & Foundation of the San Francisco Public Library's 2001/02 audit that shows sources of revenue for the Friends & Foundation under the "Revenue and support" heading.

Your office has specifically asked whether any of this revenue in 2001/02 was generated by the sale of Library materials that had been purchased with City funds, discarded from the Library's collection and given to the Friends & Foundation for sale in their used book stores or sales. None of the revenue generated in 2001/02 was a result of proceeds from the sale of Library discards, as the Friends & Foundation has not sold Library discarded materials at any of their book sales. The Friends & Foundation primarily sells materials that have been donated directly to them by individuals.

Also attached to this memo is an opinion from the City Attorney dated November 30, 1989 that states, in response to the question of whether surplus library volumes could be given to the Friends for sale, "...you may allow the Friends to take the books and sell them so long as the moneys earned from the sale of the books are used to fund Library programs". This opinion is pertinent due to the fact that, based on the request of Supervisor Peskin, Library materials will begin to be sold, along with other materials donated to the Friends & Foundation, at the Friends & Foundation monthly book sales held on the Larkin St. plaza of the Main Library. Although the book sales have been in operation for several years, the first sale of Library materials will occur on Friday, December 6<sup>th</sup>, 2002, with proceeds going to the Friends & Foundation. Any Library materials included in the sale have been thoroughly reviewed for possible reutilization by Library staff and offered for use to a wide variety of non-profit organizations through the Library's Redistribution Program.

Attachments

## THE FRIENDS AND FOUNDATION OF THE SAN FRANCISCO PUBLIC LIBRARY

STATEMENT OF ACTIVITIES  
For the year ended June 30, 2002  
With comparatives total for the year ended June 30, 2001

|                                               | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | 2002                 | 2001                 |
|-----------------------------------------------|----------------------|---------------------------|---------------------------|----------------------|----------------------|
| <b>Revenue and support</b>                    |                      |                           |                           |                      |                      |
| Contributions                                 | \$ 827,873           | \$ 289,802                | \$ -                      | \$ 1,117,675         | \$ 735,273           |
| Requests                                      | 986,807              |                           |                           | 986,807              | 842,097              |
| Other income                                  | 729,091              |                           |                           | 729,091              | 574,620              |
| In-kind donations                             | 275,474              |                           |                           | 275,474              | 305,663              |
| Special event                                 | 225,222              |                           |                           | 225,222              | 255,758              |
| Net assets released from program restrictions | 926,752              | (926,752)                 |                           | -                    | -                    |
|                                               | <u>3,971,219</u>     | <u>(636,950)</u>          | <u>-</u>                  | <u>3,334,269</u>     | <u>2,713,411</u>     |
| <b>Investment income</b>                      |                      |                           |                           |                      |                      |
| (Loss) on investments                         | (1,662,267)          |                           |                           | (1,662,267)          | (928,958)            |
| Dividend and interest income                  | 980,715              |                           |                           | 980,715              | 1,049,108            |
| Less: investment fees                         | (54,972)             |                           |                           | (54,972)             | (66,346)             |
| <b>Net investment income</b>                  | <u>(736,524)</u>     | <u>-</u>                  | <u>-</u>                  | <u>(736,524)</u>     | <u>53,804</u>        |
| <b>Total revenue and support</b>              | <u>3,234,695</u>     | <u>(636,950)</u>          | <u>-</u>                  | <u>2,597,745</u>     | <u>2,767,215</u>     |
| <b>Expenses</b>                               |                      |                           |                           |                      |                      |
| Program services                              | 2,098,706            |                           |                           | 2,098,706            | 2,678,069            |
| Support services                              | 886,614              |                           |                           | 886,614              | 895,999              |
| <b>Total expenses</b>                         | <u>2,985,320</u>     | <u>-</u>                  | <u>-</u>                  | <u>2,985,320</u>     | <u>3,574,068</u>     |
| <b>Change in net assets</b>                   | 249,375              | (636,950)                 |                           | (387,575)            | (806,853)            |
| <b>Net assets, beginning of year</b>          | <u>14,138,824</u>    | <u>2,385,665</u>          | <u>2,603,833</u>          | <u>19,128,322</u>    | <u>19,935,175</u>    |
| <b>Net assets, end of year</b>                | <u>\$ 14,388,199</u> | <u>\$ 1,748,715</u>       | <u>\$ 2,603,833</u>       | <u>\$ 18,740,747</u> | <u>\$ 19,128,322</u> |

The accompanying notes are an integral part of these financial statements.



Louise H. Renne,  
City Attorney

Deputy City Attorney  
(415) 554-3966

Attachment III  
Page 3 of 5

November 30, 1989

Kenneth Dowling  
Head Librarian  
San Francisco Public Library  
Main Branch - Civic Center  
San Francisco, CA 94102

Re: Disposal of Surplus Library Books

Dear Mr. Dowling:

You have asked this office for an opinion regarding whether you may dispose of some 15,000 surplus library volumes by giving them to Friends of the Library for sale in their bookstore. Having reviewed the relevant legal authority and discussed the matter with the Purchaser's Office and with Jane Winslow of the Friends of the Library (hereinafter sometimes referred to as "the Friends,") I conclude that you may allow the Friends to take the books and sell them so long as the moneys earned from the sale of the books are used to fund Library programs.

Library books are considered records of the City and County of San Francisco within the definition set forth in Administrative Code section 8.1. The disposal of all such records is governed by Section 8.7 of the Administrative Code, which provides in relevant part:

(a) Before any book . . . or other material of historical significance is destroyed, the following procedure shall be observed:

\* \* \*

(2) such items not accepted by the San Francisco Public Library may be sold by the office of the Mayor, together with copies thereof, under provisions of Section 8.12-2 of the Administrative Code; and

(3) in the event the Public Library declines to accept said historical material, or after sale thereof by the Mayor, any remaining such historical material may be offered to an historical society.

|                     |         |             |             |
|---------------------|---------|-------------|-------------|
| SEARCHED            | INDEXED | FILED       | NOV 30 1989 |
| SERIALIZED          | FILED   | NOV 30 1989 | 7671        |
| FBI - SAN FRANCISCO |         |             |             |

(415) 554-3800

Fox Plaza, 1390 Market Street, Sixth Floor

San Francisco 94102

(b) After all the steps outlined in paragraph (a) above have been observed, any remaining historical records, as well as any large volume of records without historic significance which are to be destroyed, shall be offered for sale by the City Purchaser. The sales contract must provide that the buyer guarantees to the satisfaction of the City Purchaser that the records will be shredded beyond identification or otherwise destroyed within a short period of time after taking delivery.

I understand that the Purchaser has in the past attempted to offer surplus library books for sale as a lot to private bookstores, without success. The bookstores would only agree to accept selected volumes. The only other alternatives in the past were to sell the books as waste paper pursuant to Section 8.7(b) or to simply throw them away.

Friends of the Library is a non-profit organization which supports activities of the Public Library. They fund Library programs including training, lecture series, purchases of books and equipment such as trucks for Library use. The Friends have offered to take the 15,000 surplus library books and sell those that are saleable at their bookstore at Fort Mason Center. I have spoken to Jane Winslow of the Friends and she informs me that they will take steps to ensure that the "Property of San Francisco Public Library" stamp is obliterated from each volume before sale. The Friends will destroy those that cannot be sold. Since the Purchaser has found no other practical alternative for the disposal of the books, I believe you may pursue this means of disposing of the volumes without contravening the records destruction guidelines of the Administrative Code.

However, diversion of public property for any private purpose is prohibited by California Constitution, Article XVI, section 6:

The Legislature . . . shall have no power . . . to make any gift or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation whatever.

A proposed use of public funds or property is permissible if it is for a public purpose. County of Sonoma v. State Board of Equalization (1987) 195 Cal.App.3d 982, 991; City of Oakland v. Garrison (1924) 194 Cal.298, 302. The City must receive a


benefit in exchange for the use of public funds. See Mannheim v. Superior Court (1970) 3 Cal.3d 678, 690-691. In this instance, the Friends are proposing to sell City property for a price, however small. Because of the prohibition against gifts of public funds, the monies earned by the Friends from the sale of the surplus volumes must be used for public benefit. I understand that it is the Friends' intention to expend the funds earned from the sale of the surplus volumes to benefit Library programs. I believe that this arrangement would overcome any obstacle imposed by the statutory prohibition against gifts of public property.

In summary, I conclude that you may contract with the Friends of the Public Library for disposal of the subject Library volumes, on the condition that the funds derived from the sale and disposal of the volumes be spent to benefit programs of the San Francisco Public Library.

Thank you for your inquiry. Please do not hesitate to contact me if you should have other questions or concerns.

Very truly yours,

LOUISE H. RENNE  
City Attorney



JULIA TEN EYCK  
Deputy City Attorney

0011W  
JTE/dls

cc: Robert Tecco, Purchaser's Office  
Jane Winslow, Friends of the Public Library

Item 12 – File 02-1980

**Department:** Mayor's Office of Community Development (MOCD)

**Item:** Hearing to request release of reserved funds in the amount of \$419,000 to be used to construct the interior portion of the Training Center space at the Evans Campus of San Francisco Community College District.

**Amount:** \$419,000

**Source of Funds:** Funds reserved by the Board of Supervisors in the Fiscal Year 1998-1999 Community Development Block Grant (CDBG) budget.

**Description:** In February of 1998, MOCD budgeted a FY 1998-1999 CDBG Work Force Development Pool allocation of \$2,000,000. \$1,909,331, or approximately 95 percent, of those funds were made available for individual Workforce Development projects<sup>1</sup>. The Board of Supervisors placed all of the \$1,909,331 for such projects on reserve pending submission by MOCD of expenditure plans and budget details for specific Work Force Development projects.

On September 20, 2000, the Finance Committee considered a request by the MOCD to release \$500,000 of the subject reserved funds which would be used by the San Francisco Community College District (SFCCD) to construct the interior portion of the Training Center space at the Evans Street Campus, located at 1400 Evans Street. The Finance Committee released \$81,000 of the \$500,000 for Architectural and Engineering services, blueprints and permits, and continued to reserve the \$419,000 balance pending selection of a construction contractor.

This proposed project was to be part of a larger capital improvement project for the SFCCD's Maritime and Construction Skills Training Center. The source of funds for the SFCCD capital improvement project was to be the \$500,000 in MOCD funding and up to approximately

---

<sup>1</sup> The remaining \$90,669, or approximately 5 percent, of these funds was expended to cover administration costs.

\$2,000,000 from SFCCD bond funds approved by the voters in November of 2001 (Proposition A) in the amount of \$195,000,000. On March 27, 2002, the SFCCD conducted a first bond, sale in the amount of \$38,000,000, to begin its capital improvement program.

The SFCCD did not use the \$81,000 in MOCD funds previously released by the Board of Supervisors for Architectural and Engineering services, blueprints and permits, and instead funded such expenditures from the Proposition A bond proceeds. SFCCD therefore now requests that the entire \$500,000, the \$419,000 in remaining MOCD reserved funds and the \$81,000 in previously released funds, be used for project construction.

The SFCCD advertised the Invitation For Bids for the construction of the proposed project in August and September of 2002. Ten bids were received. The bidders and amounts bid for the project are shown in the table below:

|                      |              |
|----------------------|--------------|
| HJ Integrated System | \$ 3,095,825 |
| Rubecon              | 2,721,130    |
| AR Construction Co.  | 2,617,357    |
| Kin Wo Construction  | 2,601,000    |
| Alpha Bay Builders   | 2,524,128    |
| Seto Construction    | 2,489,000    |
| Angotti Riley        | 2,438,000    |
| JIN Construction     | 2,406,860    |
| Ruiz Construction    | 2,281,874    |
| Evra Construction    | 2,233,400    |

According to Mr. Harry Baker, of MOCD, on October 25, 2002, the day bids were opened, Evra Construction, the lowest bidder, withdrew their bid due to a calculation error. The SFCCD then awarded the construction contract to Ruiz Construction, the next lowest bidder.

**Budget:** The Attachment to this report, provided by Mr. Peter Goldstein, Vice Chancellor for Administration for the SFCCD, provides details for the total construction budget of \$2,281,874.

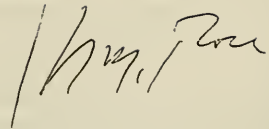
A summary budget provided by Mr. Baker for the \$500,000 in MOCD funds (\$419,000 in the subject requested reserved funds and \$81,000 in funds previously released for expenditure by the Finance Committee) would be used to construct certain interior portions of the new Training Center as follows:

|                                               |               |
|-----------------------------------------------|---------------|
| Introduction to Construction Trades 2nd floor | \$112,000     |
| Construction Laboratory 2nd floor             | 112,000       |
| Instructor's Office 2nd floor                 | 850           |
| Tool Storage                                  | 1,950         |
| Material Storage 1st floor                    | 28,000        |
| Mechanical Drawing/CAD Classroom              | 92,000        |
| Building/Electrical/Plumbing Classroom        | 53,600        |
| Electrical Wiring/Custodial Classroom         | 56,000        |
| Outdoor Construction Area                     | <u>43,600</u> |
| Total                                         | \$500,000     |

**Comment:** According to Mr. Goldstein, the new Training Center, once completed, would allow the SFCCD to offer certified trade training and curricula to individuals seeking employment or advancement in the construction and maritime trades. The facility would also be used to provide employment support services for individuals enrolled in construction and maritime skills training at City College.

**Recommendation:** Approve the requested release of \$419,000 in reserved funds.

Memo to the Finance Committee  
December 11, 2002 Finance Committee Meeting



Harvey M. Rose

cc: Supervisor Peskin  
Supervisor Daly  
Supervisor Maxwell  
Clerk of the Board  
Controller  
Ben Rosenfield  
Ted Lakey

**San Francisco Community College District  
Evans Campus (MOCD & Seismic Upgrade)**

| <b>Trade</b>                      | <b>Contact<br/>Amount</b> |
|-----------------------------------|---------------------------|
| Building Moving Wrecking          | \$ 30,240                 |
| Earthwork and Paving              | 8,616                     |
| Utility Products                  | 19,425                    |
| Concrete Contracting              | 108,418                   |
| Structural Steel Contractors      | 60,930                    |
| Construction Misc                 | 42,056                    |
| Insulation/Acoustical             | 26,725                    |
| Roofing                           | 365,000                   |
| Hazmat taken out of roofing above | 7,500                     |
| Sheet Metal Contracting           | 15,000                    |
| Door Installation                 | 51,550                    |
| Glazing                           | 10,000                    |
| Drywall                           | 169,456                   |
| Flooring Services                 | 14,600                    |
| Painting/Decorating               | 30,000                    |
| Signs, Directional                | 1,750                     |
| Construction Equipment            | 21,000                    |
| Buildings Prefabricated           | -                         |
| Plumbing                          | 44,280                    |
| Warm Air Heating, Ventilating     | 610,000                   |
| Electrical Contracting            | <u>381,900</u>            |
| <b>Subtotal</b>                   | <b>\$2,018,446</b>        |
| Subguard                          | 21,194                    |
| Payroll Taxes                     | 6,055                     |
| Subtotal                          | 2,045,695                 |
| General Conditions                | 143,199                   |
| Subtotal                          | 2,188,893                 |
| Fee                               | 65,667                    |
| Bond                              | <u>27,314</u>             |
| <b>TOTAL</b>                      | <b>\$ 2,281,874</b>       |





City and County of San Francisco  
Meeting Minutes  
Finance Committee

City Hall  
1 Dr. Carlton B.  
Goodlett Place  
San Francisco, CA  
94102-4689

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

Wednesday, December 18, 2002

12:30 PM

City Hall, Room 263

Regular Meeting

Members Present: Aaron Peskin, Sophie Maxwell.

Members Absent: Chris Daly.

MEETING CONVENED

*The meeting convened at 12:36 p.m.*

022012 [Current Financial State of San Francisco Airport]  
Supervisor Peskin

Hearing to review the current financial state of San Francisco Airport and contingencies that it will implement as a result of the recently declared bankruptcy of its major tenant, United Airlines.

12/9/02, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at the December 18, 2002 meeting.

*Heard in Committee. Speakers: John Martin, Airport Director; Eileen Bokin, SPEAK; Nancy Wuerfel.*

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

022011 [State of California Budget Cuts]  
Supervisors Peskin, Daly

Hearing to receive a briefing from the Mayor's Budget Director on recent information on State of California budget cuts and their impact on City and County of San Francisco's budget.

12/9/02, RECEIVED AND ASSIGNED to Finance Committee. Sponsor requests this item be scheduled for consideration at the December 18, 2002 meeting.

*Heard in Committee. Speakers: Ben Rosenfield, Mayor's Budget Office; Marcia Rosen, Executive Director, Redevelopment Agency.*

CONTINUED TO CALL OF THE CHAIR by the following vote:

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

**021839 [Redevelopment Agency Budget Amendment for Fiscal Year 2002-2003]**

Resolution approving an amendment to the Budget of the Redevelopment Agency of the City and County of San Francisco for Fiscal Year 2002-2003 by increasing the Agency's expenditure authority in an amount not to exceed \$43,100,000; authorizing the Agency's issuance of Tax Allocation Bonds, in one or more series, each in either Variable Rate or Fixed Rate Mode, in an amount not to exceed \$43,100,000; authorizing the Agency's receipt of additional Tax Increment necessary to repay the principal and interest on said bonds; and approving a Cooperation and Tax Increment Reimbursement Agreement with the Agency with respect to the Yerba Buena Center Redevelopment Project Area; and authorizing an agreement between the Agency and the Parking Authority pertaining to the operation of the proposed Jessie Square Garage. (Redevelopment Agency)

(Fiscal impact.)

11/14/02, RECEIVED AND ASSIGNED to Finance Committee. Department requests this item be scheduled for consideration at the December 4, 2002 meeting.

12/4/02, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Speakers: None.

12/4/02, CONTINUED TO CALL OF THE CHAIR AS AMENDED.

*Heard in Committee. Speakers: Marcia Rosen, Executive Director, Redevelopment Agency; William Carney; Senior Project Manager, Yerba Buena Center Redevelopment Project Area, Redevelopment Agency; Harvey Rose, Budget Analyst; John Kalacke, Yerba Center for the Arts; Connie Wilfoe, Magnes Museum; William Moreno, Trustee, Mexican Museum; Mario Garcia, Director, Yerba Buena Garden Festival; Ms. Rodriguez, Univision, Channel 14; Anita Hill, Executive Director, Yerba Buena Alliance; Don Marcos, Director, Mission Hiring Hall; Joe Brennan, San Francisco Museum of Modern Art and Yerba Buena Alliance; Salvador Asavaro, Mexican Museum; Male Speaker, Mexican Museum; Mr. Lopez.*

**RECOMMENDED by the following vote:**

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

**021804 [Garbage Collection Truck Licensing Fee]**

Ordinance increasing the licensing fee for garbage trucks and the amount deposited into the Mandatory Refuse Collection Service Fund by amending Section 249.6 of the San Francisco Business and Tax Regulations Code and Section 10.100-7 of the San Francisco Administrative Code and ratifying past actions taken in connection with such licensing fee. (Public Health Department)

(No Public Benefit Recipient.)

10/21/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 11/20/2002.

11/20/02, CONTINUED. Speakers: None.

Continued to 12/4/02.

12/4/02, CONTINUED. Speakers: None.

Continued to 12/18/02.

*Heard in Committee. Speakers: Jack Breslin, Department of Public Health, Occupational and Environmental Health Section; Harvey Rose, Budget Analyst; Ben Rosenfield, Mayor's Budget Office.*

*Amended on page 2 as follows:*

*on line 18, by replacing "Director of Administrative Services" with "Department of Public Health;"*

*on lines 18 and 19, by replacing "a quarterly" with "an annual;"*

*on lines 19 and 20, by deleting "the Mayor, the Board of Supervisors;"*

*on line 20, by deleting "and the Budget Analyst."*

*Further amended on page 2, line 21, by adding "The Mandatory Refuse Collection Service Fund shall sunset on June 30, 2003. Revenues and expenditures associated with said fund shall be transferred to the General Fund to be appropriated annually by the Board of Supervisors for the purposes specified herein."*

**AMENDED.**

**RECOMMENDED AS AMENDED by the following vote:**

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

- 021856** [Providing for a new complaint procedure for the enforcement of the prevailing wage requirements]  
Supervisors Ammiano, Peskin, Maxwell, Daly, McGoldrick, Dufty  
Ordinance adding Subsection 6.24(C) to San Francisco Administrative Code, Chapter 6, Article II, Section 6.24 to establish a procedure for the Labor Standards Enforcement Officer's administration of complaints in the enforcement of prevailing wage requirements.  
11/4/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 12/4/2002.  
*Heard in Committee. Speaker: Donna Levitt.*  
*(Supervisors Peskin and Maxwell added as co-sponsors.)*  
**RECOMMENDED by the following vote:**  
Ayes: 2 - Peskin, Maxwell  
Absent: 1 - Daly
- 021919** [Treasure Island Development Authority Cooperative Agreement with U.S. Navy]  
Resolution approving and authorizing the Treasure Island Development Authority to enter into the 15th modification to the Cooperative Agreement with the United States Navy to extend the Cooperative Agreement from October 1, 2002 to September 30, 2003. (Mayor)  
  
(Fiscal impact.)  
11/18/02, RECEIVED AND ASSIGNED to Finance Committee.  
*Heard in Committee. Speakers: Annemarie Conroy, Executive Director, Treasure Island Development Authority.*  
*Amended on page 1, line 4, after "agreement," on page 2, line 15, after "approves," and on page 2, line 16, after "authorizes," by adding "retroactively."*  
**AMENDED.**  
Resolution approving and authorizing the Treasure Island Development Authority to enter into the 15th modification to the Cooperative Agreement with the United States Navy to extend the Cooperative Agreement retroactively from October 1, 2002 to September 30, 2003. (Mayor)  
  
(Fiscal impact.)  
(No Public Benefit Recipient.)  
**RECOMMENDED AS AMENDED by the following vote:**  
Ayes: 2 - Peskin, Maxwell  
Absent: 1 - Daly
- 021911** [MOU, H-1 Fire Rescue Paramedics, Local 790]  
Mayor  
Ordinance adopting and implementing the mediated agreement establishing the terms of the Memorandum of Understanding between the Service Employees International Union, Local 790 for H-1 Fire Rescue Paramedics and the City and County of San Francisco to be effective for the period July 1, 2001 through June 30, 2003. (Mayor)  
11/18/02, RECEIVED AND ASSIGNED to Finance Committee.  
*Heard in Committee. Speakers: Alice Villagomez, Deputy Director, Employee Relations Division, Department of Human Resources; Harvey Rose, Budget Analyst; Larry Bradshaw, Service Employees International Union, Local 790, Paramedics.*  
*Amended on page 1, line 3, by deleting "the mediated agreement establishing."*  
**AMENDED.**

Ordinance adopting and implementing the terms of the Memorandum of Understanding between the Service Employees International Union, Local 790 for H-1 Fire Rescue Paramedics and the City and County of San Francisco to be effective for the period July 1, 2001 through June 30, 2003. (Mayor)

**RECOMMENDED AS AMENDED by the following vote:**

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

**021942 [Reserved Funds, Fire Department]**

Hearing to consider release of reserved funds, Fire Department (Ordinance No. 127-96, 1986 Fire Protection Bonds), in the amount of \$2,039,000 for the installation of five (5) motorized valves essential to control the flows and pressures and preserve the integrity of the AWSS system in the event of a main failure. (Fire Department)

12/2/02, RECEIVED AND ASSIGNED to Finance Committee.

*Heard in Committee. Speakers: Paul Jones, Assistant Deputy Chief, Division of Support Services, Fire Department; Jim Corrigan.*

*Release of reserved funds in the amount of \$2,039,000 approved.*

**APPROVED AND FILED by the following vote:**

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

**021966 [Reserved Funds, Fire Department]**

Hearing to consider release of reserved funds, Fire Department fiscal year 2002-2003 budget, in the amount of \$322,277 for salaries of five training officers (three H-39 Training Captains and two H-43 EMS training Section Chiefs). These positions provide the medical and fire training needed to fulfill the mission of the Fire Department in saving lives and property. (Fire Department)

12/4/02, RECEIVED AND ASSIGNED to Finance Committee.

*Heard in Committee. Speaker: Jim Corrigan.*

*Continued to 1/15/03.*

**CONTINUED by the following vote:**

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

**021876 [Real Property Lease Option]**

Resolution authorizing the exercise of an extension option at 875 Stevenson Street for various City departments. (Real Estate Department)

(Fiscal impact; No Public Benefit Recipient.)

11/19/02, RECEIVED AND ASSIGNED to Finance Committee.

*Speakers: None.*

*Continued to 1/15/03.*

**CONTINUED by the following vote:**

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

**021877 [Amendment to the Operating Agreement for the Moscone Convention Center]**

Resolution authorizing the Director of Convention Facilities to execute an amendment to the operating agreement increasing the agreement from \$15,015,100.00 to \$15,844,209.00. (Administrative Services Department)

(Fiscal impact; Public Benefit Recipient.)

11/20/02, RECEIVED AND ASSIGNED to Finance Committee.

*Heard in Committee. Speakers: Jack Moerschbacher; Pisheir Astanda, Janitors Union; Sonia Obtero; Harvey Rose, Budget Analyst.*

**RECOMMENDED by the following vote:**

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

**021975 [Accept-Expend Regional Grant]**

**Supervisors Peskin, Daly**

Resolution authorizing the Airport Commission to accept and expend five (5) grants totaling \$1,089,000 from the Bay Area Air Quality Management District (Air District) for acquisition of clean air vehicles by Airport transportation operators. (Airport Commission)

(Public Benefit Recipient.)

12/4/02, RECEIVED AND ASSIGNED to Finance Committee.

*Heard in Committee. Speaker: Diana Hammons, Department of Parking and Traffic.*

*Supervisor Peskin added as sponsor.*

**RECOMMENDED.. by the following vote:**

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

**021939 [Extension of Agreement with City Carshare]**

**Supervisors Peskin, Maxwell, Newsom, Daly**

Resolution authorizing a six month extension to the existing grant agreement between the City and County of San Francisco and City Carshare. (Parking and Traffic Department)

(No Public Benefit Recipient.)

11/27/02, RECEIVED AND ASSIGNED to Transportation and Commerce Committee.

12/6/02, TRANSFERRED to Finance Committee.

*Heard in Committee. Speakers: Diana Hammons, Department of Parking and Traffic; Elizabeth Sullivan. (Supervisors Peskin and Maxwell added as co-sponsors.)*

**RECOMMENDED.. by the following vote:**

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

**021978 [California Healthcare for Indigents Program (CHIP) funds for Fiscal Year 2002-03]  
Supervisors Maxwell, Daly**

Resolution authorizing adoption of the County Description of Proposed Expenditure of California Healthcare for Indigents (CHIP) funds for Fiscal Year 2002-03 and that the President or duly authorized representative of the Board of Supervisors of the City and County of San Francisco can certify the County Description of Proposed Expenditure of CHIP funds for the Fiscal Year 2002-03. (Public Health Department)

(No Public Benefit Recipient.)

12/4/02, RECEIVED AND ASSIGNED to Health and Human Services Committee.

12/11/02, TRANSFERRED to Finance Committee.

*Heard in Committee. Speakers: Jeff Leong, Department of Public Health.  
(Supervisor Maxwell added as sponsor.)*

**RECOMMENDED by the following vote:**

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

**021984 [HIV Care and Related Services for Women and Minorities]  
Supervisor Daly**

Resolution authorizing the San Francisco Department of Public Health (SFDPH) AIDS Office (AO) to accept and expend retroactively the second year of a grant in the amount of \$650,000 from the DHHS Office of Minority Health (DHHS OMH) to improve AIDS related health outcomes for women and minorities and to enter into an agreement for the use of these funds; for the period of September 30, 2002 to September 29, 2003. (Public Health Department)

(Public Benefit Recipient.)

12/11/02, RECEIVED AND ASSIGNED to Health and Human Services Committee. Department requests this item be scheduled for consideration at the December 19, 2002 meeting

12/12/02, TRANSFERRED to Finance Committee.

*Speakers: None.*

*Continued to 1/15/03.*

**CONTINUED by the following vote:**

Ayes: 2 - Peskin, Maxwell

Absent: 1 - Daly

## **ADJOURNMENT**

*The meeting adjourned at 3:10 p.m.*

CITY AND COUNTY



[Budget Analyst Report]

**Susan Hom**

OF SAN FR. Main Library-Govt. Doc. Section

**BOARD OF SUPERVISORS**

**BUDGET ANALYST**

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642  
FAX (415) 252-0461

December 12, 2002

**TO:** Finance Committee

DOCUMENTS DEPT.

**FROM:** Budget Analyst

DEC 17 2002

**SUBJECT:** December 18, 2002 Finance Committee Meeting

SAN FRANCISCO  
PUBLIC LIBRARY

Item 3 - File 02-1839

**Note:** This resolution was continued by the Finance Committee at its meeting of December 4, 2002. The Budget Analyst recommended that the proposed resolution be continued so that the Cooperation and Tax Increment Reimbursement Agreement to be approved by the Board of Supervisors under this proposed resolution could be rewritten to clearly specify that a) the City's General Fund (as opposed to "the City") is fully reimbursed for tax increment revenue diverted from the General Fund to repay the debt service on the proposed Redevelopment Agency Tax Allocation Bonds, and b) the City's General Fund will receive reimbursements which include the amounts which would normally accrue in the City's General Fund and those which would normally accrue to other taxing entities, including the SFUSD and the SFCCD. The Budget Analyst further recommended that the City Attorney and the Controller certify that the amended language of the Cooperation and Tax Increment Reimbursement Agreement is clear and sufficient to accomplish the stated intent of the agreement. This report is based on an amended resolution and the amended version of the Cooperation and Tax Increment Reimbursement Agreement submitted by the Redevelopment Agency.

**Department:** Redevelopment Agency

**Item:** Resolution approving an amendment to the budget of the Redevelopment Agency of the City and County of San Francisco for Fiscal Year 2002-2003 by (a) increasing the Redevelopment Agency's Expenditure Authority in an amount not to exceed \$43,100,000; (b) authorizing the

Redevelopment Agency's issuance of Tax Allocation Bonds, in one or more series, each in either variable or fixed rate mode, in an amount not to exceed \$43,100,000; (c) authorizing the Redevelopment Agency's receipt of additional tax increment monies necessary to repay the principal and interest on said bonds; and (d) approving a Cooperation and Tax Increment Reimbursement Agreement<sup>1</sup> between the City and the Redevelopment Agency with respect to the Yerba Buena Center Redevelopment Project Area.

Amount: Not to exceed \$43,100,000

Source of Funds: Tax Allocation Bonds

Description: Under the proposed resolution, (a) the Redevelopment Agency would issue Tax Allocation Bonds in an amount not to exceed \$43,100,000, to finance improvements at Jessie Square, including construction of the Jessie Square open space, the Jessie Square Parking Garage, and improvement to the substructures and the foundations of the proposed Mexican Museum and Magnes Museum as part of the Redevelopment Agency's Yerba Buena Center Redevelopment Project Area; (b) increase the Redevelopment Agency's expenditure authority for the FY 2002-2003 budget in an amount not to exceed \$43,100,000; (c) approve authorization of the Redevelopment Agency's receipt of additional tax increment revenues necessary to repay the principal and interest on the Tax Allocation Bonds commencing in FY 2004-2005; and (d) approve a Cooperation and Tax

---

<sup>1</sup> Approval of the proposed resolution would create a Cooperation and Tax Increment Reimbursement Agreement between the Redevelopment Agency and the City. This agreement sets obligations regarding the use of the Jessie Square Parking Garage revenues and repayment of tax increment revenues.

Increment Reimbursement Agreement between the City and the Redevelopment Agency with respect to the Yerba Buena Center Redevelopment Project Area.

The Redevelopment Agency's authority to issue the proposed \$43,100,000 in Tax Allocation Bonds comes from Article XVI, Section 16 of the California Constitution and Sections 33640 and 33670 of the California Health and Safety Code (the Community Redevelopment Law). Under Sections 33640 and 33670 of the Community Redevelopment Law, the Redevelopment Agency is authorized to issue Tax Allocation Bonds to pay for the cost of financing construction of improvements for its redevelopment projects.

According to Mr. Mario Menchini of the Redevelopment Agency, the general provisions of the sale of the Tax Allocation Bonds would be as follows: (a) the sale of the first series bonds is tentatively scheduled for March 14, 2003; (b) the sale of the second series bonds is tentatively scheduled for March 31, 2003; (c) the bonds would be issued at a fixed interest rate not to exceed 8.0 percent; and (d) the final maturity date of the subject bonds will be August 1, 2018.

The subject Tax Allocation Bonds would be used to partially fund construction of Jessie Square, a new Jessie Square Parking Garage, and construction of the foundations of the proposed Mexican Museum and the proposed Magnes Museum. Jessie Square, on block CB-1 (Assessor's Block 3706), is located on the north side of Mission Street, between Third and Fourth Streets. The proposed project includes construction of a 161,600 square feet underground parking garage, with approximately 450 parking spaces. The proposed underground parking garage would be partially under (a) the proposed Mexican Museum, (b) the proposed Magnes Museum, and (c) the Jessie Square open space facing Mission Street. The proposed Jessie Square Garage, a four level underground parking garage, would contain approximately 450 parking spaces, of which 65 to 70 parking spaces will be leased by the developer, Millennium Partners, for 30 years (See Comment No. 5)

Improvements to the Yerba Buena Center Redevelopment Area, which will include Jessie Square, include pedestrian-oriented gardens, cultural, recreational, convention and retail attractions. The design of Jessie Square open space includes pedestrian linkages to Yerba Buena Lane and Third Street, as well as access to the Magnes Museum, the Mexican Museum, and St. Patrick's Church. The proposed improvements include stone paving, performance areas, fixed and café style seating, trees, lighting, and an artist-designed water feature. The proposed project also includes reinforcement and improvements to the substructures of the Magnes Museum and the Mexican Museum, since part of the proposed Jessie Square Garage will be located below the museums.

The total estimated project costs will be \$42,309,624, as shown in Attachment I, provided by the Redevelopment Agency. In addition to the \$34,900,000 in construction fund proceeds from the Tax Allocation Bonds, the balance of the total project cost of \$7,409,624 (\$42,309,624 less bond financing of \$34,900,000) for the proposed Jessie Square Garage and improvements will be financed in the following manner: (a) \$4,529,624 from the sale of Transferable Development Rights (TDR) (see Attachment II) of the Jessie Square Substation and the historic Planters Hotel; (b) \$380,000 from proceeds from the sale of Redevelopment Agency land to the Magnes Museum; and (c) \$2,500,000 in developer equity. Attachment II is a memorandum provided by the Redevelopment Agency that explains how the sale of Transferable Development Rights would provide monies for the proposed project. According to Mr. Carney, the \$4,529,624 in TDRs will be provided from the following sources (a) \$3,420,000 from the sale of TDR to Millennium Partners from the historic Jessie Square Substation Building owned by the Redevelopment Agency, (b) \$629,624 from an additional sale of Jessie Square Substation TDR to Millennium Partners; and (c) \$480,000 would be from the sale, by Millennium Partners, of TDR from the historic Planters Hotel; such TDR have been donated by the owner of the Planters Hotel, located at 600 Folsom Street, to the Magnes Museum which has agreed to convey the TDR to the Redevelopment Agency for this purpose. (See Comment No. 3).

The proposed resolution would authorize approval of a Cooperation and Tax Increment Reimbursement Agreement between the City and the Redevelopment Agency. An amended version of the Cooperation and Tax Increment Reimbursement Agreement was submitted to the Finance Committee on December 4, 2002. The Cooperation and Tax Increment Reimbursement Agreement obligates the Redevelopment Agency to reimburse the City for all tax increment revenues which would be used to pay the debt service of the Tax Allocation Bonds. Under the terms of the proposed Cooperation and Tax Increment Reimbursement Agreement, the Redevelopment Agency will establish a separate "Garage Fund" where all parking revenues from the Jessie Square Garage will be deposited. The Redevelopment Agency will use a combination of parking revenues from the proposed garage and Parking Tax revenues from the proposed garage to reimburse the City's General Fund (See Comment No. 1).

**Budget:**

Attachment I, provided by the Redevelopment Agency, includes a summary budget, which identifies both the revenue sources and expenditures for the proposed project. As previously noted, total project costs are \$42,309,624, including \$15,241,105 for the Jessie Square improvements and \$27,068,519 for the Jessie Square Parking Garage, as shown in Attachment I. Attachment I also contains funding (budget) sources for the proposed project expenditures of \$42,309,624. According to Mr. Bill Carney of the Redevelopment Agency, the reason the issuance of the Tax Allocation Bonds is not to exceed \$43,100,000, or \$790,376 more than the estimated total project cost of \$42,309,624, is because the Redevelopment Agency wanted to maintain flexibility and minimize the impact on the City's General Fund in the event the sale of TDRs did not realize all anticipated revenues.

As shown in Attachment III, provided by the Redevelopment Agency, \$34,900,000 of the \$43,100,000 Tax Allocation Bonds are estimated to be available for the proposed project. The difference of \$8,200,000 (\$43,100,000 less \$34,900,000) is the estimated costs of issuance of the bonds, the underwriter's discount, funding of a capitalized interest fund (to pay interest costs before the project begins producing revenue), bond insurance, and a reserve account, which is a reserve fund for debt service for the proposed Tax Allocation Bonds. According

to Mr. Menchini, these costs include 16 months of capitalized interest on the bonds for the cultural and open space portion of the project, 30 months of capitalized interest on the bonds for the Jessie Square Garage portion of the project, and a debt service reserve of 10 percent that could be used to pay for the final year of debt service on the Tax Allocation Bonds. The details for the \$8,200,000 are shown in Attachment III.

**Comments:**

1. According to Mr. Menchini, the Tax Allocation Bonds would be repaid from tax increment revenues, of which approximately 65 percent would normally accrue to the City's General Fund. According to Mr. Menchini, the use of tax increment revenues to service the debt on the Tax Allocation Bonds would not begin until Fiscal Year 2004-2005, since the Redevelopment Agency will have sufficient funds for capitalized interest to pay bond debt service through FY 2003-2004. Under the proposed Cooperation and Tax Increment Reimbursement Agreement, between the City and the Redevelopment Agency, the Redevelopment Agency will reimburse the City for all tax increment revenues used for debt service, through biannual payments to the City during the period of 2005 through 2021. Such reimbursements will include amounts which would normally accrue in the City's General Fund (approximately 65 percent of the total tax increment revenues to be provided for debt service) and those which would normally accrue to other taxing entities, such as Property Tax proceeds otherwise payable to the San Francisco Unified School District (SFUSD) and the San Francisco Community College District (SFCCD), according to Mr. Menchini.

Under the proposed amended version of the Cooperation and Tax Increment Reimbursement Agreement, the General Fund would be reimbursed for the full amount of the debt service for the Tax Allocation Bonds. Such reimbursements to the City would be paid from parking revenues, Possessory Interest Taxes, and Parking Taxes generated by the proposed Jessie Square Garage by December 31, 2018. Under the terms of the Cooperation and Tax Increment Reimbursement Agreement, any shortfalls in revenues, which would normally accrue in the City's General Fund, by the Redevelopment Agency to make the General Fund whole will be repaid with interest at an annual compounded rate of five percent until the

Redevelopment Agency's reimbursement obligation is satisfied.

2. According to Mr. Menchini, the Redevelopment Agency expects to issue the proposed Tax Allocation Bonds in two series, on March 14, 2003 and March 31, 2003. Mr. Menchini advises that the Tax Allocation Bonds would have a fixed interest rate, not to exceed eight percent. Attachment IV, provided by Mr. Menchini, shows the debt service schedule for the proposed Tax Allocation Bonds. As shown in Attachment IV, the total debt service over 14 years is \$52,888,997, or an average annual debt service of \$3,777,785.

3. As shown in Attachment I, \$4,529,624 for the proposed project will be generated from TDR sales. According to Mr. Carney, the applicable sales have not yet occurred, although they are required by Redevelopment Agency Disposition and Development Agreements now in place. Mr. Carney further advises that for the TDR sales to occur, the City's Planning Code and the City's General Plan Downtown Element must be amended, because the transfer of such development rights would be between different zoning districts (from a C-3-R, or Downtown Retail zoning district to a C-3-O, or Downtown Office zoning district). Such transfers are presently not permitted in either the Planning Code or the Downtown Element of the City's General Plan. Currently, two ordinances (File Nos. 02-0327 and 02-0328) are pending before the Board of Supervisors Transportation and Commerce Committee, which would amend the Planning Code and the Downtown Element to permit the necessary TDR sales to occur. According to Mr. Carney, if the pending ordinances amending the Downtown Element and the Planning Code (File Nos. 02-0327 and 02-0328) are not approved by the Board of Supervisors, the Redevelopment Agency will attempt to sell the TDRs for use in a C-3-R zoning district which is permitted under the current City Planning Code and Downtown Element of the City's General Plan. Mr. Carney advises that if the pending ordinances are not approved by the Board of Supervisors, the TDR revenue could be less than the \$4,529,624 estimated in Attachment I, since the proposed project TDR sales, to Millennium Partners, are above current market value. Therefore, the Budget Analyst notes that all of the financing sources for the proposed Project have not yet been secured. Because such financing

sources would be dependent on Board of Supervisors approval of pending legislation, the Budget Analyst considers approval of the proposed resolution to be policy matter for the Board of Supervisors.

4. According to Mr. Carney, Millennium Partners was selected through a Request for Proposals process in 1995 to develop the Redevelopment Agency's CB-1 Market Street parcel, which included the Four Seasons Hotel and Condominiums and related retail development. The Disposition and Development Agreement negotiated with Millennium Partners as a result of the RFP included the potential for the development to include a parking garage under Jessie Square, with the construction of the Square and foundations for the adjacent cultural facilities. According to Mr. Carney, the General Contractor portions of the proposed project was put out to bid by Millennium Partners, assisted by the Redevelopment Agency's Contract Compliance Division through a Request for Qualifications (RFQ) process to select the construction General Contractor. According to Mr. Carney, Plant Construction/Ruiz Construction Company will serve as the General Contractor for the construction of the Project. According to Mr. Carney, the design architect for the Project is Gary Handell Associates, which was selected by Millennium Partners, in accordance with the contract compliance provisions of the Disposition and Development Agreement (DDA) between the Redevelopment Agency and Millennium Partners. Gary Handell Associates was selected because of their extensive experience, technical ability, and understanding of the Yerba Buena Center Redevelopment Project Area advises Mr. Carney. Mr. Chris Inglesias of the Redevelopment Agency provided Attachment VI, which contains a list of the bidders for the General Contractor and the selection process for the General Contractor and the design architect for the proposed Jessie Square Project. According to Mr. Carney, the proposed budgeted amounts for work to be constructed by the General Contractor and their subcontractors is \$30,451,623.

5. Millennium Partners, the developer of the Jessie Square Project, entered into a Disposition and Development Agreement (DDA) with the Redevelopment Agency. Under the DDA with the Redevelopment Agency, approximately 65 to 70 of the 450 parking spaces in the

proposed Jessie Square Garage will be leased, for 30 years, to the developer, Millennium Partners. According to Mr. Carney, the Disposition and Development Agreement was not subject to Board of Supervisors approval but was subject to Redevelopment Agency Commission approval. According to Mr. Carney, the spaces leased will be located at the top, or mezzanine, level of the Jessie Square Garage. According to Mr. Carney, Millennium Partners will pay a minimum of \$689,000 per year to the Redevelopment Agency for up to approximately 70 spaces (70 spaces @ \$7,700 per space, per year, plus \$150,000 per year for financing premiums).

6. As explained in Attachment VII, provided by Mr. Menchini, the Redevelopment Agency will provide a record for all garage financial transactions, provide the City with net garage revenues, and the remaining Redevelopment Agency obligations to the City, and the Redevelopment Agency will work with the Controller's Office to determine the amount of the tax increment revenues which the Redevelopment Agency has been reimbursing the City's General Fund.

7. The amended version of the proposed Cooperation and Tax Increment Reimbursement Agreement Cooperation and Tax Increment Reimbursement Agreement has been reviewed by both the City Attorney and the Controller. As recommended by the Budget Analyst, both the City Attorney and the Controller have certified that a) the City's General Fund will be fully reimbursed for tax increment revenue diverted from the General Fund to repay the debt service on the proposed Redevelopment Agency Tax Allocation Bonds, and b) the City's General Fund will also receive reimbursements which include the amounts which would normally accrue in the City's General Fund and those which would normally accrue to other taxing entities, including the SFUSD and the SFCCD. As shown in Attachment IV, the Redevelopment Agency's projections estimate that the General Fund will receive surplus reimbursement revenues in the amount of \$16,149,139 by 2020.

**Recommendations:** Approval of the proposed resolution is a policy matter for the Board of Supervisors because \$4,529,624 for the proposed project will be generated from Transferable Development Rights (TDR) sales that would only be permitted if pending legislation to amend the Planning Code and the Downtown Element to permit the necessary TDR sales to occur are approved by the Board of Supervisors. The pending ordinances (File Nos. 02-0327 and 02-0328) have been referred to the Board of Supervisors Transportation and Commerce Committee and have not yet been scheduled for a hearing (see Comment 3).

# JESSIE SQUARE IMPROVEMENTS PROJECT SOURCES & USES SUMMARY

11/1/2002

## BUDGET SOURCES

|                                              |               |    |                   |
|----------------------------------------------|---------------|----|-------------------|
| <b>Tax Allocation Bond Proceeds*</b>         |               |    |                   |
| Garage Portion                               | \$ 20,200,000 |    |                   |
| Public Improvements Portion                  | \$ 14,700,000 | \$ | 34,900,000        |
| <b>Land Sale</b>                             |               |    |                   |
| Pavilion Parcel Sale                         | \$ 380,000    | \$ | 380,000           |
| <b>Transferable Development Rights (TDR)</b> |               |    |                   |
| Basic Substation TDR Sale                    | \$ 3,420,000  |    |                   |
| Additional Substation TDR Sale               | \$ 629,624    |    |                   |
| Planters Hotel TDR Sale                      | \$ 480,000    | \$ | 4,529,624         |
| <b>Developer Equity Contribution</b>         |               |    |                   |
| Pre-development sunk costs                   | \$ 2,500,000  | \$ | 2,500,000         |
| <b>Total Budget Sources</b>                  |               | \$ | <b>42,309,624</b> |

## BUDGET USES

|                                           |               |    |                   |
|-------------------------------------------|---------------|----|-------------------|
| <b>Public Improvements</b>                |               |    |                   |
| Jessie Square                             | \$ 3,733,664  |    |                   |
| Magnes Museum Substructure & Preservation | \$ 6,291,074  |    |                   |
| Mexican Museum Substructure               | \$ 5,216,367  | \$ | 15,241,105        |
| <b>Garage Improvements</b>                |               |    |                   |
| Garage                                    | \$ 24,689,660 |    |                   |
| Garage Elevator Structure @ St. Patrick's | \$ 495,428    |    |                   |
| Garage Truck Loading Area @ Argent        | \$ 1,883,431  | \$ | 27,068,519        |
| <b>Total Budget Uses</b>                  |               | \$ | <b>42,309,624</b> |

\* Tax Increment Bond Proceeds are construction funds only. For Bond Financing costs see separate Sources & Uses chart for Bonds

San Francisco  
Redevelopment Agency

770 Golden Gate Avenue  
San Francisco, CA 94102

415.749.2400  
TTY 415.749.2500



Attachment II

WILLIE L. BROWN, JR., Mayor

Michelle W. Sexton, President  
Kathryn C. Patsmourian, Vice President  
Mark Dunlop  
Lacey King  
Ramon E. Romero  
Dorshan Singh  
Benny Y. Yee

Marcia Rosen, Executive Director

November 21, 2002

112-12202-023

To: Bruce Robertson  
Harvey M Rose Accountancy Corp.  
1390 Market St # 1025, San Francisco, CA 94102

From: Bill Camey  
Senior Project Manager, San Francisco Redevelopment Agency

Subject: Transferable Development Rights

This memorandum responds to the request from your office for a simple description of Transferable Development Rights ("TDR"s) as provided by the San Francisco Planning Code. TDRs provide an important source of funds for a portion of the Jessie Square Improvements, the proposed financing of which is now being analyzed by your office.

TDRs are a mechanism set up by the San Francisco Planning code for selling the development rights from a "preservation parcel" containing a historic building to a "development parcel" decreasing the amount of development that can occur on the first site and increasing that which can occur on the second site by the same amount. This compensates the owner of the historic building for preserving the historic building on a site, which could otherwise be demolished and developed for a larger building. Conversely, it allows the purchaser of the TDRs to build a larger building on the development parcel than would otherwise be allowed. TDRs are sold by the square foot at rates determined by the market. Sales are certified and recorded by the planning department.

As an example, the proposed funding for the Jessie Square Improvements includes \$4,529,624 from the sale of TDRs by the Agency to Millennium Partners. These development rights derive from two historical buildings in the Yerba Buena Center Redevelopment Area: 168,281 square feet from the Jessie Street Substation site and 19,200 square feet from the Planters' Hotel site. Millennium Partners intends to use the TDRs to increase the amount of development allowed on a site on Mission Street between Fremont and Beale Streets.

Please call me at 749-2412 with any additional questions.

San Francisco Redevelopment Agency  
 2003 Series A& B Tax Allocation Revenue Bonds  
 (Jessie Square Garage and Cultural & Open Space Improvements)

Sources and Uses of Funds

|                                  |                     |
|----------------------------------|---------------------|
| Par Value of Bonds [1]           | \$43,100,000        |
| Uses:                            |                     |
| Deposit to Construction Fund     | 34,900,000          |
| Deposit to Capitalized Interest  | 3,074,182           |
| Deposit to Reserve Account       | 4,310,000           |
| Deposit to Costs of Issuance [2] | 126,709             |
| Bond Insurance [3]               | 473,609             |
| Underwriter's discount [4]       | 215,500             |
| Total uses of funds              | <u>\$43,100,000</u> |

Notes

- [1] Interest paid 2/1 and 8/1 and principal 8/1, final maturity 2018, dated and delivered 2/23/03.  
 [2] Includes legal expenses, financial advisory fees, printing fees, trustee fees and other miscellaneous expenses.  
 [3] Bond insurance assumed to be .75% of total debt service, purchased in advance.  
 [4] Underwriter's discount assumed to be .5% of par or \$5.00 per \$1,000 bond.

|    | A                                                                                                                                                                                                                                | B             | C             | D                            | E                        | F                          | G                          | H              | I |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|------------------------------|--------------------------|----------------------------|----------------------------|----------------|---|
| 1  | San Francisco Redevelopment Agency                                                                                                                                                                                               |               |               |                              |                          |                            |                            |                |   |
| 2  |                                                                                                                                                                                                                                  |               |               |                              |                          |                            |                            |                |   |
| 3  | Schedule of Projected Tax Increment Reimbursements                                                                                                                                                                               |               |               |                              |                          |                            |                            |                |   |
| 4  |                                                                                                                                                                                                                                  |               | Revenues      | Total Revenues               | Less:                    |                            |                            | Cumulative (4) |   |
| 5  |                                                                                                                                                                                                                                  |               |               |                              |                          |                            |                            |                |   |
| 6  |                                                                                                                                                                                                                                  |               |               |                              |                          |                            |                            |                |   |
| 7  | FY Ended                                                                                                                                                                                                                         | Tax           | Garage        | Total Revenues               | Debt Service             | Total                      | Balance Due                |                |   |
| 8  | 30-Jun                                                                                                                                                                                                                           | Receipts (1)  | NOI (2)       | Available for Reimbursements | Related to the Bonds (1) | Revenues Less Debt Service | to City (None if Negative) | City (5)       |   |
| 9  | 2003                                                                                                                                                                                                                             |               |               | (B + C)                      |                          |                            |                            |                |   |
| 10 | 2004                                                                                                                                                                                                                             |               |               |                              |                          | (D - F)                    | 5.0%                       |                |   |
| 11 | 2005                                                                                                                                                                                                                             | \$ 357,657    | \$ 1,077,483  | \$ 1,435,140                 | \$ 615,803               | \$ 819,337                 | \$ (819,337)               | \$ 615,803     |   |
| 12 | 2006                                                                                                                                                                                                                             | 558,923       | 1,892,772     | 2,451,695                    | 1,464,544                | 987,151                    | (1,806,488)                | 1,464,544      |   |
| 13 | 2007                                                                                                                                                                                                                             | 668,012       | 2,325,872     | 2,993,884                    | 1,541,702                | 1,452,182                  | (3,258,670)                | 1,541,702      |   |
| 14 | 2008                                                                                                                                                                                                                             | 687,908       | 2,373,010     | 3,060,918                    | 2,881,702                | 179,216                    | (3,437,886)                | 2,881,702      |   |
| 15 | 2009                                                                                                                                                                                                                             | 708,652       | 2,442,089     | 3,150,741                    | 2,882,172                | 268,569                    | (3,706,455)                | 2,882,172      |   |
| 16 | 2010                                                                                                                                                                                                                             | 730,021       | 2,513,164     | 3,243,185                    | 5,313,012                | (2,069,827)                | (1,656,628)                | 5,313,012      |   |
| 17 | 2011                                                                                                                                                                                                                             | 752,034       | 2,586,291     | 3,338,325                    | 5,316,942                | (1,978,617)                | 341,989                    | 4,974,953      |   |
| 18 | 2012                                                                                                                                                                                                                             | 797,716       | 2,757,994     | 3,555,710                    | 5,315,297                | (1,759,588)                | 2,118,677                  | 3,555,710      |   |
| 19 | 2013                                                                                                                                                                                                                             | 821,771       | 2,838,318     | 3,660,089                    | 5,310,422                | (1,650,333)                | 3,874,944                  | 3,660,089      |   |
| 20 | 2014                                                                                                                                                                                                                             | 846,551       | 2,920,963     | 3,767,514                    | 5,313,502                | (1,545,988)                | 5,614,680                  | 3,767,514      |   |
| 21 | 2015                                                                                                                                                                                                                             | 872,560       | 3,005,997     | 3,878,557                    | 5,313,277                | (1,434,720)                | 7,330,134                  | 3,878,557      |   |
| 22 | 2016                                                                                                                                                                                                                             | 898,376       | 3,093,488     | 3,991,864                    | 5,313,817                | (1,321,953)                | 9,018,594                  | 3,991,864      |   |
| 23 | 2017                                                                                                                                                                                                                             | 953,365       | 3,300,337     | 4,253,702                    | 5,313,920                | (1,060,228)                | 10,529,752                 | 4,253,702      |   |
| 24 | 2018                                                                                                                                                                                                                             | 976,523       | 3,394,833     | 4,371,356                    | 992,872                  | 3,378,483                  | 7,677,756                  | 4,371,356      |   |
| 25 | 2019                                                                                                                                                                                                                             | 1,006,393     | 3,495,309     | 4,501,702                    | 0                        | 4,501,702                  | 3,559,942                  | 4,501,702      |   |
| 26 | 2020                                                                                                                                                                                                                             | 1,036,316     | 3,595,443     | 4,631,759                    |                          | 4,631,759                  | (892,820)                  | 3,737,939      |   |
| 27 |                                                                                                                                                                                                                                  |               |               |                              |                          |                            |                            |                |   |
| 28 | Totals                                                                                                                                                                                                                           | \$ 12,672,777 | \$ 43,613,363 | \$ 56,286,140                | \$ 52,888,997            | \$ 3,397,143               |                            | \$ 55,392,320  |   |
| 29 |                                                                                                                                                                                                                                  |               |               |                              |                          |                            |                            |                |   |
| 30 |                                                                                                                                                                                                                                  |               |               |                              |                          |                            |                            |                |   |
| 31 | (1) Primarily parking tax revenues and possessory tax on 70 parking spaces, excluding portion of possessory tax allocated to "other" taxing entities.                                                                            |               |               |                              |                          |                            |                            |                |   |
| 32 | (2) Gross garage revenues less operating costs.                                                                                                                                                                                  |               |               |                              |                          |                            |                            |                |   |
| 33 | (3) Paid with tax increment. For providing tax increment, the City receives parking tax revenues in perpetuity and garage net revenues until City is fully reimbursed, projected to occur in year 2030.                          |               |               |                              |                          |                            |                            |                |   |
| 34 | (4) If in any year revenues are insufficient to fully reimburse the City, the unpaid balance is carried forward and accrues interest at 5% per annum until paid. Negative number indicates no unpaid obligation is owed to City. |               |               |                              |                          |                            |                            |                |   |
| 35 | (5) In any year, City reimbursements are paid from tax receipts, shown in column "B", parking garage net operating income, and accumulated garage revenues, as shown for years 2005 through 2010 in column "I".                  |               |               |                              |                          |                            |                            |                |   |
| 36 |                                                                                                                                                                                                                                  |               |               |                              |                          |                            |                            |                |   |
| 37 |                                                                                                                                                                                                                                  |               |               |                              |                          |                            |                            |                |   |
| 38 |                                                                                                                                                                                                                                  |               |               |                              |                          |                            |                            |                |   |

|    | A                                                                                                                   | B              | C             | D              | E             | F                 | G |
|----|---------------------------------------------------------------------------------------------------------------------|----------------|---------------|----------------|---------------|-------------------|---|
| 1  | San Francisco Redevelopment Agency                                                                                  |                |               |                |               |                   |   |
| 2  | Measuring the Financial Impact on the General Fund                                                                  |                |               |                |               |                   |   |
| 3  |                                                                                                                     |                |               |                |               |                   |   |
| 4  |                                                                                                                     |                |               |                |               |                   |   |
| 5  |                                                                                                                     |                |               |                |               |                   |   |
| 6  | FY Ended                                                                                                            | City           | Less: Muni    | General Fund   | General Fund  | General Fund      |   |
| 7  | 30-Jun                                                                                                              | Reimbursements | Parking Taxes | Reimbursements | Cost (1)      | Gain              |   |
| 8  | 2003                                                                                                                |                |               | (B - C)        |               | (D - E)           |   |
| 9  | 2004                                                                                                                |                |               |                |               |                   |   |
| 10 | 2005                                                                                                                | \$ 615,803     | \$ 137,876    | \$ 477,927     | \$ 400,272    | \$ 77,655         |   |
| 11 | 2006                                                                                                                | 1,464,544      | 214,457       | 1,250,087      | 951,954       | 298,133           |   |
| 12 | 2007                                                                                                                | 1,541,702      | 256,008       | 1,285,694      | 1,002,106     | 283,588           |   |
| 13 | 2008                                                                                                                | 2,881,702      | 263,739       | 2,617,963      | 1,873,106     | 744,857           |   |
| 14 | 2009                                                                                                                | 2,882,172      | 271,704       | 2,610,468      | 1,873,412     | 737,056           |   |
| 15 | 2010                                                                                                                | 5,313,012      | 279,910       | 5,033,103      | 3,453,458     | 1,579,645         |   |
| 16 | 2011                                                                                                                | 4,874,953      | 288,363       | 4,686,590      | 3,456,012     | 1,230,577         |   |
| 17 | 2012                                                                                                                | 3,555,710      | 305,809       | 3,249,901      | 3,454,943     | (205,042)         |   |
| 18 | 2013                                                                                                                | 3,660,089      | 315,044       | 3,345,044      | 3,451,774     | (106,730)         |   |
| 19 | 2014                                                                                                                | 3,767,514      | 324,559       | 3,442,955      | 3,453,776     | (10,821)          |   |
| 20 | 2015                                                                                                                | 3,878,557      | 334,360       | 3,544,197      | 3,453,630     | 80,566            |   |
| 21 | 2016                                                                                                                | 3,991,864      | 344,458       | 3,647,406      | 3,453,981     | 193,425           |   |
| 22 | 2017                                                                                                                | 4,253,702      | 365,458       | 3,888,244      | 3,454,054     | 434,190           |   |
| 23 | 2018                                                                                                                | 4,371,356      | 376,330       | 3,995,026      | 645,367       | 3,348,659         |   |
| 24 | 2019                                                                                                                | 4,501,702      | 387,855       | 4,113,847      |               | 4,113,847         |   |
| 25 | 2020                                                                                                                | 3,737,939      | 399,403       | 3,338,536      |               | 3,338,536         |   |
| 26 |                                                                                                                     |                |               |                |               |                   |   |
| 27 | Total                                                                                                               | \$ 55,392,320  | \$ 4,865,333  | \$ 50,526,987  | \$ 34,377,848 | \$ 16,149,139     |   |
| 28 |                                                                                                                     |                |               |                |               |                   |   |
| 29 |                                                                                                                     |                |               | Present Value  |               | 5.0% \$ 9,209,701 |   |
| 30 |                                                                                                                     |                |               |                |               |                   |   |
| 31 |                                                                                                                     |                |               |                |               |                   |   |
| 32 | (1) Represents the portion of tax increment paid from the General Fund, which is approximately 65% of tax increment |                |               |                |               |                   |   |
| 33 | provided to pay debt service on the Bonds as shown in column "F" of Reimbursement Schedule.                         |                |               |                |               |                   |   |
| 34 |                                                                                                                     |                |               |                |               |                   |   |
| 35 |                                                                                                                     |                |               |                |               |                   |   |

San Francisco  
Redevelopment Agency

770 Golden Gate Avenue  
San Francisco, CA 94102

415.749.2400  
TTY 415.749.2300



Attachment

WILLIE L. BROWN, JR., Mayor

Michelle W. Saxon, President  
Kathryn C. Palamounch, Vice President  
Mark Dunlap  
Leroy King  
Ramon E. Romero  
Carahen Singh  
Benny K. Yee

Martie Rosen, Executive Director

To: Harvey Rose, Budget Analyst  
Harvey Rose Accountancy Corp.

From: William Carney, Senior Project Manager

Date: November 22, 2002

Subject: Replacement of Moscone Lease Payments

As requested by your office, this memorandum provides further background on the Agency's proposed use of revenues from the proposed Jessie Square Garage to replace Moscone Convention Center Ground Lease revenue to continue to fund maintenance for the Yerba Buena Gardens beginning in 2019.

On March 1, 1988, the Redevelopment Agency signed a 30-year ground lease agreement with the City for the Moscone Convention Center. Under the terms of the 1988 ground lease agreement, the City currently pays the Redevelopment Agency an annual payment of \$870,000. The lease agreement expires in March of 2018, and this source of revenue will therefore no longer be available to help pay for Yerba Buena Gardens maintenance and capital replacement needs.

The Agency has therefore proposed to use \$870,000 in garage revenue for approximately three years, beginning in 2019 to replace the ground lease revenues. A recently completed capital maintenance study of Yerba Buena Gardens by 3DI International indicates an on-going critical need for these funds, especially as the facilities age. The Gardens, which include both the public open space and the cultural facilities, will have been in service for twenty-five years by 2019. Capital maintenance, repair and replacement are therefore expected to be a critical need at that point.

San Francisco  
Redevelopment Agency

770 Golden Gate Avenue  
San Francisco, CA 94102

415.749.2400  
TTY 415.749.2500



WILLIE L. BROWN, Jr., Mayor

Michelle W. Sexton, President  
Kathryn G. Polamcunliffe, Vice President  
Mark Dunlap  
Leroy King  
Ramon E. Romero  
Deshan Singh  
Barry V. Yee

Marcia Rosen, Executive Director

November 22, 2002

To: Harvey Rose, Budget Analyst

From: Chris Iglesias, Contract and Fiscal Services Manager

RE: General Contractor Selection Process for the Jessie Square Parking Garage and Related Structures

In 1995 the Agency issued a Request for Proposals (RFP) for development of the Market Street parcel in the Yerba Buena Center Redevelopment Project Area. As a result of this process, the Agency Commission selected Millennium Partners to develop the Four Seasons Hotel and Condominiums, with related retail, parking and other improvements. The Disposition and Development Agreement (DDA) negotiated with Millennium included the potential for the development to include a parking garage under Jessie Square, with the construction of the Square and foundations for the adjacent cultural facilities.

In August of 2000 Millennium Partners issued a Request For Qualifications (RFQ) for Construction Services for the Jessie Square Parking Garage, Plaza and structures for the Mexican and Magnes Museums.

The RFQ followed the Agency's contracting guidelines as outlined in the DDA with Millennium Partners. These guidelines include extensive good faith effort steps (11) to ensure that minority and woman-owned business enterprises have an equal opportunity to compete for and participate in contracts for the planning, design and construction of the buildings (and garage).

As outlined in the good faith effort steps, Millennium Partners advertised the RFQ in the City's Bid and Contracts Newsletter, conducted site visits with prospective contractors and mailed the RFQ to organizations that serve the M/WBE contracting community. An added feature to the process included Millennium's commitment to try to include M/WBE participation at the prime contractor level.

This added feature is different from the requirements outlined in the DDA, which focuses on M/WBE participation at the subcontractor level. On September 20, 2002 the following eight contractors submitted qualifications:

1. Clark Construction
2. Dennis J. Amoroso Construction
3. G.M.I. Construction
4. Ruiz Construction
5. McCarthy Building Companies
6. Plant Construction
7. Richlen Construction
8. S.J. Amoroso Construction

The following five contractors were invited to participate in the interview process:

1. G.M.I. Construction
2. Ruiz Construction
3. McCarthy Building Companies
4. Plant Construction
5. Richlen Construction

At the completion of the interview process the firms were ask to provide company financial statements and proposed budgets. Based on this information Millennium selected Plant Construction and Ruiz Construction as it main contractor for the Garage, Plaza and superstructures. This process also satisfied the Agency's goal of having an MBE contractor participate at the prime level.

The prime team will bid out all of the sub-trades following the above referenced guidelines.

The lead architectural firm is Gary Handell & Associates. The subconsultant portion includes 27 percent MBE participation and 13 percent WBE participation. Gary Handell was selected for the work because of their experience with the CB-1 Four Seasons, Yerba Buena Lane Connector and the Sony Metreon projects, their intimate knowledge of the area, and their proven ability to accomplish complex urban designs.

San Francisco  
Redevelopment Agency

770 Golden Gate Avenue  
San Francisco, CA 94102

415.749.2400  
TTY 415.749.2500



WILLIE L. BROWN, JR., Mayor

Michelle W. Saxon, President  
Kathryn C. Palamoutian, Vice President  
Mark Dunlop  
Larry King  
Ramon E. Romero  
Dorshan Singh  
Bonny Y. Yee

Mardo Rosen, Executive Director

To: Bruce Robertson  
Harvey Rose Accountancy Corp.

From: Mario Menchini  
Senior Financial Analyst

Date: November 22, 2002

Subject: Accounting & Reporting Requirements Associated with the Jessie Square  
Open Space and Parking Garage Financing

Per your request, the Agency is submitting this memo to further clarify the accounting & reporting requirements associated with the Jessie Square Open Space and Parking Garage financing. As detailed in the Cooperation and Tax Increment Reimbursement Agreement, the Agency agrees to the following:

1. Create a segregated account to hold all funds generated by the Parking Garage and keep a separate record of all financial transactions associated with said facility.
2. Accompanying each reimbursement, the Agency will provide a report that lists the revenues, expenses, and net income of the Parking Garage and any unpaid obligation owed to the City.
3. The Agency will consult with the City Controller's Office to determine the tax increment reimbursement amount.
4. The Agency agrees to allow the City to examine all records and books related to the Parking Garage and associated financing and to have audits conducted by independent certified public accountants.

Item 4 - File 02-1804

**Department:** Department of Public Health (DPH)

**Item:** Ordinance retroactively increasing the licensing fee for garbage trucks and increasing the amount deposited into the Mandatory Refuse Collection Service Fund by amending Section 249.6 of the San Francisco Business and Tax Regulations Code and Section 10.100-7 of the San Francisco Administrative Code and ratifying past actions taken in connection with such licensing fee.

**Description:** The proposed ordinance would amend Section 249.6 of the Business and Tax Regulations Code by retroactively increasing the annual garbage truck licensing fee by 43.8 percent, or by \$995 from \$2,273 to \$3,268, for each garbage truck owned by the Golden Gate Disposal Company and the Sunset Scavenger Company, which operate such trucks, under permit with the DPH, to transport refuse and garbage in San Francisco. The proposed ordinance would also amend Section 10.100-7 of the Administrative Code by increasing the amount deposited into the DPH Administrative Services Mandatory Refuse Collection Service Fund (the Service Fund) by \$995, or a 104.2 percent increase from \$955 to \$1,950 for each garbage truck.

Without obtaining Board of Supervisors approval, the proposed annual garbage truck licensing fee was already increased from \$2,273 to \$3,268 as of FY 1997-98, and Golden Gate Disposal Company and the Sunset Scavenger Company have been charged the increased fees since FY 1997-98. However, the Administrative Code was never amended to reflect the increased fee of \$3,268. Section 10.117-70 of the Administrative Code presently requires that \$955 of the prior \$2,273 garbage truck licensing fee be deposited in the Administrative Services Mandatory Refuse Collection Service Fund, to pay for part of the DPH costs incurred in administering the Mandatory Refuse Collection Program, operated by the DPH Environmental Health Services Bureau. Mr. Jack Breslin of the DPH states that Section 10.117-70 requires that the remaining \$1,318 (old fee of \$2,273 less \$955 deposit to the Service Fund) be transferred to the General Fund.

Under the proposed ordinance, the deposit to the Service Fund would be \$1,950, with the balance of \$1,318 (increased fee of \$3,268 less \$1,950 deposit) remaining as the same amount to be transferred to the General Fund. As described in Attachment I, a memorandum provided by Mr. Breslin, the purpose of the DPH Mandatory Refuse Collection Program is to reduce the illegal dumping of garbage on vacant lots in the City by ensuring that all owners of occupied properties where refuse and garbage is collected from both residential and commercial buildings, have obtained a licensed garbage operator, which in San Francisco is either the Golden Gate Disposal Company or the Sunset Scavenger Company, for service consisting of garbage pick-up and the provision of garbage containers. As noted in Attachment I, under the Mandatory Refuse Collection Program, the DPH provides on-site investigations of complaints made by the Golden Gate Disposal Company or the Sunset Scavenger Company, to determine if occupied properties need a licensed garbage collection service provider.

According to Mr. Breslin, the annual garbage truck licensing fee was previously proposed at a rate of \$3,268 in December of 1996, and as previously noted, was implemented in FY 1997-98 without obtaining Board of Supervisors approval. According to Mr. James Alexander of the DPH, the licensing fee was increased by \$995, from \$2,273 to \$3,268 in order that the DPH Mandatory Refuse Collection Service Fund could recover a larger portion of the DPH costs to administer and enforce the Mandatory Refuse Collection Program.

As stated in Attachment II, due to an administrative error, the increase in fee from \$2,273 to \$3,268 was never previously submitted to the Board of Supervisors for approval. This subject ordinance would now retroactively approve the \$3,268 fee, which has been charged since FY 1997-98. The memorandum further explains that the Department of Public Health and the Tax Collector began billing garbage companies at the new rate of \$3,268 beginning in FY 1997-98. According to Mr. Breslin, the proposed fee of \$3,268 was recently approved by the Health Commission on October 15, 2002 (Resolution #12-02).

Attachment III, provided by Mr. Alexander, details (a) program costs for FY 1997-98 through FY 2002-03, and b) the source of funds (Mandatory Refuse Collection Ordinance (MRCO) and General Fund) for the Mandatory Refuse Collection Program. Attachment IV, provided by Mr. Jim Gillen of the DPH, shows the total license fee revenues and Service Fund fund balance for FY 1997-98 through FY 2001-02. As noted in Attachment IV, the Service Fund fund balance as of June 30, 2002 was \$455,591.

**Comments:**

1. The Budget Analyst notes that Section 10.100-7 of the Administrative Code designates the Mandatory Refuse Collection Service Fund as a Category Seven Special Fund. A Category Seven Special Fund is defined as a special fund where a) revenue proceeds are automatically appropriated "off budget" (i.e., such appropriations are not specifically identified in the annual DPH budget); b) interest earnings on fund balances are accumulated within the fund; and, c) carry forward balances are not permitted from year to year. Therefore, surplus balances at the end of each fiscal year for the Mandatory Refuse Collection Service Fund are, under the existing provisions of the Administrative Code, to be closed out and transferred to the General Fund. The Budget Analyst therefore recommends that the June 30, 2002 surplus Mandatory Refuse Collection Service Fund fund balance of \$455,591 should be transferred to the General Fund.

2. Attachment V is a memorandum provided by Mr. Alexander, providing additional information about the fee, the Mandatory Refuse Collection Service Fund surplus and expenditures from the Service Fund. Mr. Alexander states in Attachment V, that if the Fund balance from the Service Fund is closed out, annual garbage truck licensing fees will have to be increased in FY 2003-2004 to fund DPH's increasing costs to administer and enforce the Mandatory Refuse Collection Program. The Budget Analyst notes however that, as shown in Attachment IV, annual garbage truck licensing fee revenues of \$288,600 in FY 2001-2002 exceed expenditures of \$254,616 by \$33,984. The Budget Analyst therefore does not concur that the annual garbage truck licensing fees would need to be increased in FY 2003-2004 to fund increasing costs.

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

3. The Budget Analyst also recommends that Section 10.100-7 of the Administrative Code be amended to designate the Mandatory Refuse Collection Service Fund as a Category Three Special Fund instead of a Category Seven Special Fund. Such an amendment would require DPH to specifically budget the annual Mandatory Refuse Collection Service Fund revenues for appropriation approval by the Board of Supervisors instead of allowing automatic appropriation of such revenues. Also, Section 10.100-7 of the Administrative Code states that the Director of Administrative Services shall file a quarterly report regarding the Mandatory Refuse Collection Service Fund, including receipts and expenditures, with the Mayor, the Board of Supervisors, the Controller and the Budget Analyst. According to Mr. Alexander, such quarterly reports have never been filed, and the Budget Analyst has never received such reports. The Budget Analyst therefore recommends that this provision also be amended and that the DPH, instead of the Director of Administrative Services, provide annual reports regarding the special fund.

4. According to Mr. Breslin, garbage truck licensing fees are paid annually by the Golden Gate Disposal Company and the Sunset Scavenger Company during the month of January. Mr. Breslin notes that the number of garbage trucks operated by the Golden Gate Disposal Company and the Sunset Scavenger Company increased from 133 garbage trucks in FY 1997-98 to 148 garbage trucks in FY 2002-2003. Mr. Breslin advises that because, at this time, the Department does not anticipate the Golden Gate Disposal Company or the Sunset Scavenger Company to increase the number of garbage trucks, annual revenues from licensing fees are expected to remain at approximately \$483,664 annually (\$3,268 x 148 garbage trucks).

**Recommendations:**

1. As discussed in Comment Nos. 1 and 2, because the Mandatory Refuse Collection Service Fund is designated as a Category Seven Special Fund, the Budget Analyst recommends that the current surplus of \$455,591 be transferred to the General Fund.

2. As explained in Comment No. 3, the Budget Analyst recommends that a) page 2, line 10 of the proposed ordinance be amended to delete "*category seven fund*" and insert "*category three fund*"; and, b) that page 2, lines 18 through 20 of the proposed ordinance be amended to delete the language that "*The Director of Administrative Services shall file a quarterly report regarding the fund, including receipts and expenditures, with the Mayor, the Board of Supervisors, the Controller and the Budget Analyst*" and insert the language that "*The Department of Public Health shall file an annual report regarding the fund, including receipts and expenditures, with the Controller.*"

3. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

Ms. Leanne Nahn  
Budget Analysts Office  
1390 Market St. 10<sup>th</sup> Floor  
San Francisco, CA. 94102

November 14, 2002

Dear Ms. Nahn,

This is in response to your e-mail request for information. Some of the issues raised in your listing of questions were addressed in the documents provided to you on November 13<sup>th</sup>.

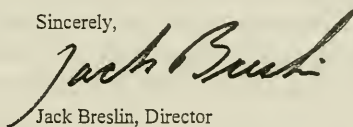
The Board of Supervisors adopted the Mandatory Refuse Collection Ordinance in 1988, and charged the Department of Public Health with the duty to enforce its provisions. This ordinance charged the Environmental Health Section with the responsibility of investigating referrals made from the two licensed scavenger companies operating in San Francisco, listing properties that had not subscribed to mandatory garbage collection services as required in Article 6 of the Health Code. The ordinance provided revenues that would cover the cost of providing the resources needed to carry out its mandates.

Basically what the service provides is an on site investigation of the referrals forwarded to the Department of Public Health. This field investigation determines if the property in question is in fact occupied. Once this is confirmed the Department then places the owner of the property on notice to subscribe to licensed garbage collection service within a specified time period. Failure to comply results in the Health Department ordering service for the property and providing a can if necessary. The costs of this service, to include administrative fees, are then charged to the property owner and collected by placing a lien on the property that then becomes attached to the property tax bill. Last year some 1,200 such referrals were investigated. The intent of the mandatory garbage collection ordinance is to insure that all occupied properties have in fact subscribed to licensed garbage service, and a container is present on the premises to deposit the trash, thereby reducing the likelihood that garbage will be illegally dumped on vacant lots around the City

By 1996, the costs of the program had come to exceed the revenues generated from that portion of the annual license fee charged to scavenger companies for each of their refuse collection vehicles. Because of this, the fee increase was proposed.

I hope that this information is responsive to your inquiry. Please contact me by e-mail or phone if I can provide additional information, (252-3989).

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Breslin". The signature is fluid and cursive, with the first name "Jack" being more prominent than the last name "Breslin".

Jack Breslin, Director  
Consumer Protection Programs



City and County of San Francisco  
DEPARTMENT OF PUBLIC HEALTH

Willie L. Brown, Jr., Mayor  
Mitchell H. Katz, M.D.,  
Director of Health

OCCUPATIONAL & ENVIRONMENTAL HEALTH

MEMORANDUM

December 9, 2002

To: Leanne Nhan, Budget Analyst

From: <sup>JB</sup> John E. Breslin, Director Consumer Protection Programs

Re: Garbage Truck License Fee

"The proposed ordinance would increase license fees charged for Permits to Operate refuse collection vehicles in San Francisco. This fee increase was previously prepared for review by the Health Commission and the Board of Supervisors during budget year 1995-96. A recent review of records regarding a related matter, revealed that the ordinance was in fact not acted on by the Health Commission or the Board of Supervisors for reasons unknown at this time except that an administrative error was made during preparation of the proposal. This appears to have resulted in the matter not being presented to the Board of Supervisors. Records also reveal however, that the proposed ordinance documents were approved as to form by the City Attorney's Office acted on by the Tax Collector and further, that billing at the new rate commenced in FY 1997-98.

On October 15, 2002, the Health Commission approved the proposed ordinance (Resolution #12-02). The reason why an error made 6 years ago is now being addressed and brought before the Board of Supervisors, is because the error was not discovered until two months ago when DPH conducted a review of the relevant Municipal Code Section in response to an inquiry relative to the Mandatory Refuse Collection program. The Proposed ordinance is intended to correct the administrative error."

# GARBAGE TRUCK FEES

| PROGRAM COSTS / MRCO:         |  |  |  |          |          |          |          |          |          |
|-------------------------------|--|--|--|----------|----------|----------|----------|----------|----------|
| POSITIONS                     |  |  |  | FY 97/98 | FY 98/99 | FY 99/00 | FY 00/01 | FY 01/02 | FY 02/03 |
| 1052                          |  |  |  | 56,846   | 58,647   | 61,596   | 62,823   | 63,736   | 72,532   |
| 1426                          |  |  |  | 38,106   | 39,594   | 41,656   | 42,856   | 43,900   | 46,876   |
| 6108                          |  |  |  | 45,310   | 46,745   | 48,964   | 50,425   | 51,678   | 55,201   |
| 6108                          |  |  |  | 45,310   | 46,745   | 48,964   | 50,425   | 51,678   | 55,201   |
| TOTAL SALARIES                |  |  |  | 185,571  | 191,731  | 201,179  | 206,529  | 210,992  | 229,810  |
| MFB                           |  |  |  | 46,393   | 47,933   | 50,295   | 51,632   | 52,748   | 57,453   |
| PRORATED OPERATING COSTS      |  |  |  | 64,906   | 63,364   | 68,612   | 71,424   | 81,708   | 86,520   |
| SUBTOTAL PROGRAM COSTS        |  |  |  | 296,870  | 303,027  | 320,086  | 329,585  | 345,449  | 373,783  |
| PROGRAM COSTS / GENERAL FUND: |  |  |  |          |          |          |          |          |          |
| POSITIONS                     |  |  |  |          |          |          |          |          |          |
| 6108                          |  |  |  | 45,310   | 46,745   | 48,964   | 50,425   | 51,678   | 55,201   |
| 6108 (0.5 FTE)                |  |  |  | 22,655   | 23,373   | 24,482   | 25,213   | 25,839   | 27,801   |
| 6124 (0.25 FTE)               |  |  |  | 19,223   | 19,608   | 20,586   | 20,991   | 21,291   | 23,308   |
| SALARIES                      |  |  |  | 87,188   | 89,725   | 94,032   | 96,628   | 98,808   | 106,109  |
| MFB                           |  |  |  | 21,797   | 22,431   | 23,508   | 24,157   | 24,702   | 26,527   |
| PRORATED OPERATING COSTS      |  |  |  | 28,396   | 27,722   | 30,018   | 31,249   | 35,748   | 37,852   |
| SUBTOTAL PROGRAM COSTS        |  |  |  | 137,381  | 139,878  | 147,558  | 152,035  | 159,258  | 170,498  |
| TOTAL PROGRAM COSTS           |  |  |  | 434,251  | 442,906  | 467,644  | 481,620  | 504,707  | 544,271  |

**Licensing Fee Revenues**

|                                  | <b>FY 97-98</b> | <b>FY 98-99</b> | <b>FY 99-00</b> | <b>FY 00-01</b> | <b>FY 01-02</b> |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Mandatory Refuse Collection Fund | 259,350         | 259,350         | 261,300         | 280,800.00      | 288,600         |
| General Fund                     | 175,294         | 175,294         | 176,612         | 212,668         | 195,064         |
| <b>Total Revenues</b>            | <b>434,644</b>  | <b>434,644</b>  | <b>437,912</b>  | <b>493,468</b>  | <b>483,664</b>  |

**Fund Balance**

|                                      | <b>FY 97-98</b> | <b>FY 98-99</b> | <b>FY 99-00</b> | <b>FY 00-01</b> | <b>FY 01-02</b> |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Carried Forward:                     | 24,177.49       | 183,388.21      | 321,281.68      | 371,617.86      | 421,607.98      |
| Revenues Collected:                  | 259,350.00      | 259,350.00      | 261,300.00      | 280,800.00      | 288,600.00      |
| Actual Expenditures:                 | 100,139.28      | 121,456.53      | 210,963.82      | 230,809.88      | 254,616.00      |
| Carried Forward to Next Fiscal Year: | 183,388.21      | 321,281.68      | 371,617.86      | 421,607.98      | 455,591.98      |



## MEMORANDUM

December 11, 2002

TO: Harvey Rose, Budget Analyst

FROM: James Alexander, Budget Manager

RE: Mandatory Refuse Program

A proposal for a fee increase was prepared in FY 1996/97 with the intent to include operating costs of the program and a pro rata share of Environmental Health administrative and indirect costs that are budgeted in the General Fund. Previous to the fee increase only direct personnel was being charged to the program.

The fee increase started in FY 97/98 and generated revenues as shown in the table below. Also included in the table are the program's personnel expenditures that were charged to the fund prior to and since the collection of the increased fee. The fund developed a surplus in 97/98 and 98/99 due to vacancies that occurred in the program. Additionally, the prorated general fund operating and administrative costs were not charged to the program since FY97/98 due to administrative oversight.

Fee Increase

|                  | FY95/96   | FY96/97   | FY97/98   | FY98/99   | FY99/00   | FY00/01   | FY01/02   |
|------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Revenues         | 128,925   | 127,970   | 259,350   | 259,350   | 261,300   | 280,900   | 288,500   |
| Expenditures     | (113,936) | (113,780) | (100,139) | (121,457) | (210,553) | (230,810) | (254,618) |
| Year End Surplus | 9,989     | 14,190    | 159,211   | 137,893   | 50,337    | 49,930    | 33,884    |

If closed out at year end, the estimated surplus of \$455,594 accumulated from FY 95/96 to FY01/02 would reduce the General Fund for Environmental Health in the current year. If the surplus is closed out, it is estimated that the fee would need to be increased in FY03-04 to cover increasing personnel costs and to allow a prorata share of operating and administrative costs to be covered by the program funds. Alternatively, if the surplus is carried forward to cover future costs, a fee increase could be deferred until FY05/06.

Item 6 - File 02-1919

**Department:** Treasure Island Development Authority

**Item:** Resolution approving and authorizing the Treasure Island Development Authority to enter into the 15<sup>th</sup> modification of its Cooperative Agreement with the U.S. Navy in order to extend the Agreement retroactively from October 1, 2002 to September 30, 2003.

**Description:** On May 2, 1997, the Board of Supervisors approved Resolution No. 380-97, authorizing the Mayor's Treasure Island Project Office to establish a nonprofit public benefit corporation known as the Treasure Island Development Authority to act as a single entity focused on the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of Treasure Island and Yerba Buena Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City. On September 30, 1997, the Navy closed Treasure Island<sup>1</sup> as an active Naval Base. The California Legislature subsequently approved the Treasure Island Conversion Act of 1997, which designated the Treasure Island Development Authority as a trustee of the State Tidelands Trust and as the Redevelopment Agency for Treasure Island.

On October 1, 1997, concurrent with the operational closure of the Naval Base, the City entered into a Cooperative Agreement with the Navy, with approval from the Board of Supervisors (File 244-97-4), in which the City agreed to assume responsibility for the following caretaker services on Treasure Island: (1) operation and maintenance for the water, waste water, storm water, electric and gas utility systems on the Naval Base, (2) public health, security and safety services, (3) grounds and street maintenance and repair, and (4) property management. Subsequently, the Cooperative Agreement was modified, with the approval of the Board of Supervisors (File 98-1751), to make the Treasure Island Development Authority, rather than the City, the party to

---

<sup>1</sup> All references to "Treasure Island" in the proposed Cooperative Agreement refer to the entire former Treasure Island Naval Station, which included the adjoining Yerba Buena Island.

the Cooperative Agreement, and the Cooperative Agreement was extended for an additional one-year period, from October 1, 1998 to September 30, 1999 (coinciding with the Federal fiscal year). In 1999, the Board of Supervisors again approved an extension of the Cooperative Agreement, for the period from October 1, 1999 to September 30, 2000 (File 99-1970). In March of 2001, the Board of Supervisors approved a retroactive extension of the Cooperative Agreement, for the period from October 1, 2000 to September 30, 2001 (File 01-0372). Lastly, in December of 2001, the Board of Supervisors retroactively approved a resolution extending the Cooperative Agreement for the period from October 1, 2001 to September 30, 2002. According to Mr. Stephen Proud of the Treasure Island Development Authority, the proposed resolution represents the sixth time the Department has requested Board of Supervisors approval to extend the Cooperative Agreement.

This proposed resolution would approve an extension to the existing Cooperative Agreement between the Navy and the Treasure Island Development Authority, for the one-year period from October 1, 2002 to September 30, 2003. The proposed extended Cooperative Agreement also provides for no Navy reimbursement for the costs to the Treasure Island Development Authority of providing the above described caretaker services at Treasure Island.

The proposed resolution represents the 15<sup>th</sup> modification to the agreement with the U.S. Navy. Mr Proud advises that, in addition to the sixth modifications to extend the Cooperative Agreement, including this subject extension, there have been other technical modifications made to the Cooperative Agreement which did not require approval of the Board of Supervisors. According to Mr. Proud, all such technical modifications involved remittance of installment reimbursement payments by the U.S. Navy to the Treasure Island Development Authority during certain fiscal years.

For each of the prior five years of the Cooperative Agreement, as well as the proposed sixth year, the Navy had agreed to reimburse the following amounts, totaling

\$12,848,214, to the City to assist in funding the costs of providing the caretaker services at Treasure Island:

| Year of Cooperative Agreement<br>(based on Federal Fiscal Year of<br>October 1 through September 30) | Amount of<br>Reimbursements<br>by Navy to the<br>City |
|------------------------------------------------------------------------------------------------------|-------------------------------------------------------|
| FY 1997-1998                                                                                         | \$6,058,214                                           |
| FY 1998-1999                                                                                         | 4,000,000                                             |
| FY 1999-2000                                                                                         | 2,500,000                                             |
| FY 2000-2001                                                                                         | 145,000                                               |
| FY 2001-2002                                                                                         | 145,000                                               |
| FY 2002-2003                                                                                         | 0                                                     |
| <b>Total</b>                                                                                         | <b>\$12,848,214</b>                                   |

Mr. Proud advises that under the original 1997 Cooperative Agreement, the Navy did not provide the Treasure Island Development Authority with a written schedule of annual reimbursement amounts and has not submitted such a schedule to date.

However, Mr. Proud states that the Treasure Island Development Authority was previously advised by the Navy that the Navy reimbursements would be reduced on an annual basis and eliminated in Federal Fiscal Year 2002-2003, the year of the proposed extended subject agreement based on the U.S. Navy's determination that the Treasure Island Development Authority was earning sufficient revenues to pay for all costs of providing caretaker services at Treasure Island. Mr. Proud previously reported that through negotiations, the Navy agreed to make one last annual reimbursement to the City of \$145,000 for Federal Fiscal Year 2000-2001. Subsequently, according to Mr. Proud, the Treasure Island Development Authority negotiated an additional reimbursement payment to be made by the Navy of \$145,000 for Federal Fiscal Year 2001-2002.

The Budget Analyst reported to the Board of Supervisors in December of 2001, that the Treasure Island Development Authority anticipated no further

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

reimbursement from the U.S. Navy after the \$145,000 amount noted above for FY 2001-2002 when the Board of Supervisors approved the fifth extension to the Cooperative Agreement in December of 2001 (File 01-2180).

According to Mr. Proud, it is the Navy's policy to fund only those services which the Navy itself would perform on a closed Naval Station. Mr. Proud advises that the amount of the above annual reimbursements, provided to the Treasure Island Development Authority by the Navy, was established by the Navy and was based on the estimated costs for the Navy to provide the services and was not based on the estimated costs of the City. According to Mr. Proud, in executing the Cooperative Agreement with the Navy, and based on advice from the Navy, the Treasure Island Development Authority understood that the Navy would be decreasing its annual reimbursement: (a) as the City moved closer to acquiring full ownership of Treasure Island, which Mr. Proud had previously reported was expected to occur by the end of calendar year 2002, but now estimates will occur by the end of calendar year 2003; and, (b) as the Treasure Island Development Authority leased additional areas of the former Naval Base from the Navy for revenue generating purposes. Mr. Proud advises that, in past years, the Treasure Island Development Authority has offset the annual reductions in monies reimbursed by the Navy with increased revenues derived from rentals on Treasure Island.

The Attachment, provided by Mr. Proud, shows the types and amounts of revenue generated by the Treasure Island Development Authority providing the sources of revenue for FY 2002-2003 as well as for the five prior fiscal years.

Treasure Island's FY 2002-2003 budget, as finally approved by the Board of Supervisors, totals \$11,419,793. The source of funds supporting these expenditures include the operating revenues of \$9,619,793 and Interdepartmental Recoveries of \$1,800,000 consisting of the Fire Department's sublease payments of \$1,800,000 for a training facility at Treasure Island.

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

Memo to Finance Committee  
December 18, 2002 Finance Committee Meeting

**Comment:**

As previously noted, the Agreement would extend the existing Cooperative Agreement between the Navy and the Treasure Island Development Authority for the one-year period from October 1, 2002 to September 30, 2003. Mr. Proud advises that the Treasure Island Development Authority did not obtain approval from the Board of Supervisors to extend the Agreement prior to October 1, 2002, the effective date of the proposed extension to the Cooperative Agreement with the U.S. Navy because initially the Navy did not intend to execute a Cooperative Agreement for Federal Fiscal Year 2002-2003 since there would be no further reimbursement payment to the Treasure Island Development Authority. However, Mr. Proud states that the Treasure Island Development Authority requested an extension of the Cooperative Agreement and the Navy required additional time to process the extension. Therefore, the proposed resolution should be amended to provide for retroactivity.

**Recommendations:**

1. Amend the proposed resolution for retroactivity to October 1, 2002, in accordance with the Comment above.
2. Approve the proposed resolution, as amended.

| TOTAL<br>Revenue  | TI<br>Admin | TI Special<br>Events | YBI Special<br>Events | Detail of Revenue |                       |                        |              |              |             |         |           | TI<br>Housing | YBI<br>Housing | Interdept<br>Recovery |
|-------------------|-------------|----------------------|-----------------------|-------------------|-----------------------|------------------------|--------------|--------------|-------------|---------|-----------|---------------|----------------|-----------------------|
|                   |             |                      |                       | TI<br>Commercial  | TI Film &<br>Telecomm | YBI Film &<br>Telecomm | TI<br>Marina | Permits      | Permits     |         |           |               |                |                       |
|                   |             |                      |                       |                   |                       |                        |              |              |             |         |           |               |                |                       |
| Total             | \$103,025   | \$2,431,318          | \$62,399              | \$4,439,447       | \$231,309             | \$618,558              | \$644,279    | \$13,884,656 | \$1,571,416 |         |           | \$4,070,491   |                |                       |
| FY 1997-98        | 0           | 186,283              | 3,595                 | 772,084           | 17,500                | 0                      | 113,089      |              |             | 12,780  |           |               |                |                       |
| FY 1998-99        | 0           | 1,213,374            | 16,439                | 1,170,747         | 42,593                | 5,500                  | 195,246      | 57,663       |             | 136,485 |           |               |                |                       |
| FY 1999-00        | 5,010       | 405,389              | 11,850                | 965,921           | 2,830                 | 179,514                | 179,150      | 3,492,868    |             | 363,637 |           |               |                |                       |
| FY 2000-01        | 4,897       | 184,648              | 25,070                | 877,247           | 105,932               | 278,779                | 102,779      | 3,795,020    |             | 312,978 | 2,000,871 |               |                |                       |
| FY 2001-02        | 93,118      | 441,624              | 5,445                 | 653,448           | 62,454                | 154,765                | 54,015       | 6,539,105    |             | 745,536 | 2,069,620 |               |                |                       |
| FY 2002-03 BUDGET | 1,000       | 400,000              | 0                     | 641,793           | 12,000                | 125,000                | 40,000       | 7,500,000    |             | 900,000 | 1,800,000 |               |                |                       |

**TOTAL  
Revenue  
and Interdepartmental  
Recovery**

|                   |              |
|-------------------|--------------|
| Total             | \$28,056,898 |
| FY 1997-98        | 1,105,331    |
| FY 1998-99        | 2,838,047    |
| FY 1999-00        | 5,606,169    |
| FY 2000-01        | 7,688,221    |
| FY 2001-02        | 10,819,130   |
| FY 2002-03 BUDGET | 11,419,793   |

Item 7 - File 02-1911

**Departments:** Department of Human Resources (DHR)  
Fire Department

**Item:** Ordinance adopting and implementing the mediated agreement establishing the terms of the Memorandum of Understanding between the Service Employees International Union, Local 790 for H-1 Fire Rescue Paramedics and the City and County of San Francisco, to be effective for the period July 1, 2001 through June 30, 2003. (See Comment No. 4)

**Description:** The proposed ordinance would adopt and implement a Memorandum of Understanding (MOU) between the City and Service Employees International Union (SEIU), Local 790. The proposed MOU, is for a two-year period from July 1, 2001 through June 30, 2003. The prior MOU expired on June 30, 2001. This MOU covers one classification, H-1 Fire Rescue Paramedic employed by the Fire Department. According to Ms. Christine Ragan of the Fire Department, the H-1 classification comprises a total of 17 budgeted positions. According to Ms. Alice Villagomez of the DHR, the terms of the prior two-year MOU for the period from July 1, 1999 to June 30, 2001 have continued beyond the June 30, 2001 expiration date to the present, a period of approximately 18 months. Ms. Villagomez states that the City and Local 790 were unable to complete negotiations, pending the outcome of litigation filed by current and former H-1 Fire Rescue Paramedics regarding their fire suppression status under the Fair Labor Standards Act (FLSA). Ms. Villagomez states that the Federal Court determined that the H-1 Fire Rescue Paramedics did not qualify as fire suppression personnel under the FLSA. Thus, according to Ms. Villagomez, the City and Local 790 negotiated new provisions in the subject MOU, which reflect the Court's determination that H-1 Fire Rescue Paramedics are not designated as fire suppression personnel.

The major changes of the MOU are summarized below.

Wage Increases

The proposed MOU would provide wage increases totaling 9.3 percent over the two-year period of the MOU, to all H-1 Fire Rescue Paramedics based on the following schedule:

| <u>Effective Date</u> | <u>Percent Increase</u> |
|-----------------------|-------------------------|
| July 1, 2001          | 2.3%                    |
| January 5, 2002       | 2.0%                    |
| July 1, 2002          | 2.5%                    |
| January 4, 2003       | <u>2.5%</u>             |
| Total                 | 9.3%                    |

Wage Adjustments

The proposed MOU would provide internal wage adjustments, totaling percent six over the two-year period of the MOU, to all H-1 Fire Rescue Paramedics based on the following schedule:

| <u>Effective Date</u> | <u>Percent Increase</u> |
|-----------------------|-------------------------|
| July 1, 2001          | 1.0%                    |
| January 5, 2002       | 2.0%                    |
| July 1, 2002          | 1.5%                    |
| January 4, 2003       | <u>1.5%</u>             |
| Total                 | 6.0%                    |

The prior MOU requires that the base wage rate differential between an H-1 Fire Rescue Paramedic and an H-3 Firefighter Paramedic be maintained at or below 5 percent. The proposed MOU specifies that this base wage rate differential would be 5 percent by January 4, 2003.

Budget Buyback

According to the proposed MOU, in recognition of the significant revenue shortfalls for the City for Fiscal Year 2002-2003, H-1 Fire Rescue Paramedics will return to the City 2.75 percent of their pensionable compensation earned during July 1, 2002 to January 3, 2003. In addition, the City will reduce the City's "pick-up" of the required employee contribution to the Employees Retirement System by 2.75 percent for the six-month period of January 4, 2003 to June 30, 2003 and the funds

would be returned to the City's General Fund. In return, H-1 Fire Rescue Paramedics will receive a base wage increase of one percent that will go into effect at the close of business on June 30, 2003.

#### Meal Breaks

The proposed MOU codifies existing practice by specifying that H-1 Fire Rescue Paramedics are expected to be available to respond to calls at all times during their 10-hour shifts, including meal breaks. The prior MOU is silent on compensation during meal breaks.

#### Court Duty Pay

The proposed MOU codifies existing practice by providing for compensation to employees required to appear in court outside normal working hours to give testimony directly related to the performance of their job duties. The existing MOU is silent on compensation for court duty.

#### 2532 Paramedic

Under the proposed MOU, any paramedic remaining in the 2532 Paramedic classification who wishes to be appointed to the H-1 Fire Rescue Paramedic rank must submit his/her irrevocable and final request to do so within 30 days after the ratification of this Agreement by the Board of Supervisors. (See Comment No. 2)

#### Floating Holidays

Under the prior MOU, full-time H-1 Fire Rescue Paramedics received 36 hours off for floating holidays. Under the proposed MOU, H-1 Fire Rescue Paramedics will receive 24 hours off for floating holidays and such employees are compensated at straight time for floating holidays they do not take. Effective July 1, 2002, employees would no longer be compensated for floating holidays that they do not take.

#### Volunteer Parent Release Time

The proposed MOU contains new language granting H-1 Fire Rescue Paramedics 4 hours of paid time off each

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

fiscal year to attend parent teacher conferences. In addition, H-1 Fire Rescue Paramedics may receive up to 40 hours per fiscal year of unpaid time to attend school activities for dependent children. The prior MOU is silent on release time for parents. According to Ms. Villagomez, this proposed language is consistent with other City MOUs.

#### Bilingual Pay

The proposed MOU would increase bilingual pay premiums from \$36 to \$50 per pay period, a \$14 or 38.9 percent increase. The bilingual premium would be paid to H-1 Fire Rescue Paramedics who are in a "designated bilingual position" for at least ten hours per pay period. The Department would designate positions as bilingual based on an assessed need for bilingual skills in various areas of the City. This provision is consistent with the City's MOU with SEIU, Locals 250, 535 and 790.

#### Wellness Program

The proposed MOU contains new language establishing a Pilot Wellness Program as an incentive to decrease the use of sick leave. According to Ms. Villagomez this language is consistent with other City MOUs. Under the Pilot Wellness Program, H-1 Fire Rescue Paramedics would be able to receive a cash payment upon retirement for unused sick leave, based upon the employee's salary rate and years of service. The program enables covered employees to receive 2.5 percent of accrued sick leave credits times the number of whole years of continuous years of service times the employee's salary rate upon retirement. Therefore, for example, an employee with 20 years of service would receive a payment upon retirement equal to 50 percent of their accrued sick leave (2.5 percent times 20 years).

#### Health Benefits

Under the current MOU, the City provides contributions for health benefits at the rate of \$197 per month or at a rate required under the City Charter, whichever is greater. Under the proposed MOU, the City would

provide contributions for health benefits at the rate required under the City Charter.

The following provisions reflect the determination that H-1 positions will not be designated as fire suppression personnel. Ms. Villagomez reports that personnel designated for fire suppression are those who have completed full training as Firefighters.

#### Rescue Premium

Under the proposed MOU, H-1 Fire Rescue Paramedics would be paid a six percent Rescue Premium instead of an eight percent Paramedic/Fire Suppression Premium, which they are being paid under the prior MOU. H-1 Fire Rescue Paramedics are no longer designated as fire suppression personnel in the proposed MOU. However they would now be considered "ancillary fire support personnel," which would provide H-1 Fire Rescue Paramedics with a six percent Rescue Premium instead of eight percent. The lower rate for the Rescue Premium would partially offset the costs of the wage increases shown above. The Rescue Premium would be counted as part of final compensation for calculation of retirement benefits.

#### Work Schedule

The work schedule under the proposed MOU would change the length of a shift and the total hours of work per week. Under the prior MOU, one shift was 24 hours long and a workweek consisted of 48 hours. The proposed MOU would change the regular workday shift to eight hours and a regular workweek would consist of five consecutive worked days, or a total workweek of 40 hours. Ms. Villagomez reports that while the regular work schedule of H-1 Fire Rescue Paramedics consists of five 8-hour days, the H-1 Fire Rescue Paramedics currently work on an alternate schedule, as described below.

The proposed MOU would allow individual H-1 Fire Rescue Paramedics to request a flexible work schedule, with the approval of the appointing officer, and provided

that the employee works five days per week and 40 hours per week.

Under the proposed MOU, and by mutual agreement between the City and SEIU, some or all represented employees could work under alternate work schedules. Such alternate work schedules may include a full-time workweek of less than five days, however they must be cost equivalent to regular work schedules.

Ms. Villagomez advises that under the existing MOU the work schedule for H-1 Fire Rescue Paramedics specifies a 24-hour-long shift and an average of 48 hours per week. Ms. Villagomez further advises that in current practice an alternate schedule has been agreed upon by the Fire Department and SEIU with a 10-hour workday and 4-day workweek.

#### Hazardous Materials Technician

The proposed MOU deletes language, which was contained in the prior MOU, related to pay for Hazardous Materials Technicians since H-1 positions have not qualified for eligibility for this type of pay.

#### Compensatory Time

Under the proposed MOU, the maximum amount of accumulated compensatory time for H-1 Fire Rescue Paramedics would be reduced from 480 hours to 240 hours. The maximum initial amount of accumulated compensatory time was reduced based on the determination that H-1 Fire Rescue Paramedics are not designated as fire suppression positions.

#### In-Lieu Time

In-lieu time is compensation time accrued when a paid holiday falls on an employee's day off. The proposed MOU deletes language related to in-lieu time accrued by H-1 Fire Rescue Paramedics working 24-hour shifts since, as previously mentioned, the employees covered by this MOU no longer work 24-hour shifts. Under the proposed MOU, employees would accrue 8 hours of in-lieu time, which could be taken as time off, since H-1 Paramedics

are now on a 4-day, 10-hour-day work schedule. Employees would no longer be allowed to receive cash payment for "in-lieu time" that is not taken as time-off, which the provisions of the prior MOU authorized.

#### Administrative Duty Assignment Pay

Under the prior MOU, employees assigned by the Chief of the Department to an administrative duty assignment receive an additional \$190 biweekly. Administrative duty assignments are administrative activities conducted by fire suppression personnel in addition to their regular duties. The proposed MOU would eliminate this language since administrative duty assignment is for fire suppression personnel, a designation which would no longer applicable to H-1 Fire Rescue Paramedics under the proposed terms of the MOU.

#### Call-Back

The proposed MOU requires that when H-1 Fire Rescue Paramedics are "called back," or called into their work locations when they are off-duty, they receive pay for a minimum of four hours or for the hours they actually work, whichever is greater. These call-back hours would be compensated at the applicable rate, which may include an overtime rate. Ms. Villagomez advises that this codifies existing practice. Ms. Villagomez further advises that the prior MOU is silent on the issue of call-back.

#### Comments:

1. As shown in the Attachment provided by the Controller's Office, the terms of the proposed MOU will result in estimated net increased costs of \$115,299 for Fiscal Year 2002-2003. According to Ms. Pamela Levin of the Controller's Office, the additional costs of the proposed MOU would be funded from the FY 2002-2003 General Fund Salary and Fringe Reserve previously approved by the Board of Supervisors in the FY 2002-2003 budget

2. The H-1 Fire Rescue Paramedic rank in the Fire Department is a transitional classification, according to Ms. Villagomez, and no H-1 Fire Rescue Paramedic positions would be filled from outside the Fire Department. Those H-1 Fire Rescue Paramedics meeting

the necessary requirements and training may become H-3 Firefighter Paramedics. In addition, existing 2532 Paramedics may become H-1 Fire Rescue Paramedics if they meet the necessary requirements. Ms. Ragan reports that there are currently 9 budgeted 2532 Paramedic positions in the Fire Department.

3. The above described proposed terms relate to the major financial changes to the prior MOU. It should be noted that, in addition to the above described major changes to the proposed MOU having fiscal impact, there are various other provisions in the proposed MOU, including: (a) elimination of language only applicable to fire suppression personnel, (b) permitting union-related notices to be transmitted via the Fire Department's teletype system, and (c) codifying guidelines and procedures for making corrections to payroll errors that may result in underpayment, overpayment or non-payment to employees.

4. Although the proposed ordinance requests adoption and implementation of a mediated agreement establishing the terms of the MOU between SEIU, Local 790 and the City, Ms. Villagomez reports that the terms of the proposed MOU were established through a negotiated agreement. Ms. Villagomez further reports that the proposed ordinance should request adoption and implementation of the MOU and not a mediated agreement. Therefore, the Budget Analyst recommends amending the proposed ordinance to request adoption and implementation of the MOU between SEIU, Local 790 and the City.

**Recommendations:**

1. In accordance with Comment No. 4, amend the proposed ordinance by deleting the words "the mediated agreement establishing" on line 3 of the proposed ordinance.
2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

Edward Harrington  
ControllerMonique Zmora  
Deputy Controller

December 3, 2002

Attachment  
Page 1 of 2

Ms. Gloria L. Young, Clerk of the Board  
Board of Supervisors  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

RE: File Number 021911  
Amendment to Memorandum of Understanding (MOU) with Service Employees International Union,  
Local 790 for H-1 Fire Rescue Paramedics

Dear Ms. Young:

In accordance with Ordinance 92-94, I am submitting a cost analysis of an amendment to the MOU between the City and County of San Francisco and the Fire Rescue Paramedics represented by SEIU Local 790. The amendment covers the period July 1, 2001 through June 30, 2003, and affects 17 budgeted positions with a salary base of approximately \$1.22 million in the current fiscal year.

In addition to the increases in wages, premiums and the establishment of the pilot wellness program, the amendment includes some provisions with minor fiscal impact. These provisions include call back pay, in lieu time, administrative duty assignment pay, jury duty pay, four (4) hours paid release time for parent teacher conferences, and 40 hours of unpaid release time for involvement in school related activities. We have also not estimated a possible reduction to overtime due to the implementation of the pilot wellness program.

Based on our analysis, the amendment will result in costs of approximately \$115,000 in FY 2002-2003, or approximately 9.4% above budget. This figure includes payments that will be made for retroactive implementation of provisions back to July 1, 2001. Please see Attachment A for specific cost estimates.

If you have additional questions or concerns please contact me at 554-7500 or Pamela Levin of my staff at 554-7554.

Sincerely,

Edward M. Harrington  
Controller

Attachment

cc: Alice Villagomez, ERD  
Harvey Rose, Budget Analyst

**Attachment A**  
**SEIU Local 790 H1 Fire Rescue Paramedics**  
**Estimated Costs FY 2002-2003**  
**Controller's Office**

| <u>Total Costs/(Savings)</u>                              | <u>FY 2002-2003</u> |
|-----------------------------------------------------------|---------------------|
| <b>Wage Increase</b>                                      |                     |
| 2.3% July 1, 2001                                         | 29,161              |
| 2.0% January 5, 2002                                      | 12,679              |
| 2.5% July 1, 2002                                         | 30,613              |
| 2.5% January 4, 2003                                      | 15,306              |
| <b>Wage Adjustments</b>                                   |                     |
| 1% July 1, 2001                                           | 12,679              |
| 2.0% January 5, 2002                                      | 12,679              |
| 1.5% July 1, 2002                                         | 18,368              |
| 1.5% January 4, 2003                                      | 9,184               |
| <b>Paramedic/Fire Suppression Premium</b>                 |                     |
| Reduced from 8% to 6% per pay period                      | (41,878)            |
| <b>Additional Premiums and Benefits (1)</b>               |                     |
| Miscellaneous                                             | 1,265               |
| <b>Pilot Wellness Program (2)</b>                         |                     |
| 2.5% of accrued sick leave if retiring after July 1, 2002 | 7,717               |
| <b>Wage-Related Fringe Increases (3)</b>                  | 7,528               |
| <b>Total Estimated Costs</b>                              | <b>115,299</b>      |
| <b>Amount Above Budgeted 2002-2003 Level</b>              | <b>115,299</b>      |
| <b>Cost % of Salary Base</b>                              | <b>9.4%</b>         |

(1) Includes hepatitis C screening and an increase in the bilingual pay premium.

(2) Assumes that a similar number of employees retire during the contract period as during FY 2001-2002.

(3) Includes 2.75% employee retirement pick up for FY 2002-2003.

Item 8 - File 02-1942

**Department:** Fire Department  
Department of Public Works (DPW)

**Item:** Hearing to consider the release of reserved funds in the amount of \$2,039,000 to fund the installation of six motorized gate valves in the City's Auxiliary Water Supply System (AWSS).

**Amount:** \$2,039,000

**Source of Funds:** 1986 Proposition A Fire Protection Systems Improvement General Obligation Bond interest earnings, previously appropriated and placed on reserve by the Board of Supervisors.

**Description:** This request in the amount of \$2,039,000 for the release of previously appropriated and reserved bond interest income monies would be expended for contractual services and DPW contract management costs for the installation of six motorized gate valves in the City's Auxiliary Water Supply System (AWSS). The AWSS is a system of reservoirs, cisterns, pipelines, pump stations, valves, and fireboats, comprising the source of water supply for fire protection in emergency situations. In September of 2002, the Fire Department and the DPW requested the release of \$2,071,417 for the installation of five motorized gate valves in the City's AWSS. On September 25, 2002, the Finance Committee released \$32,417 of the requested \$2,071,417 in order to allow the DPW to complete the selection process for the construction contract for the installation of the motorized gate valves (File 02-1544) and instructed the Fire Department and DPW to request the remaining \$2,039,000 once the competitive bidding process for the installation was completed.

The DPW has completed a competitive bidding process for the installation of the motorized gate valves and selected JMB Construction, Inc as the contractor who submitted the lowest bid of \$1,572,026 (see Comment No. 1). Previously, the DPW had estimated that the \$2,071,417 in funds would fund the installation of five motorized gate valves. However, as a result of the competitive bidding

BOARD OF SUPERVISORS

BUDGET ANALYST

process, DPW has now determined that the subject \$2,039,000 in reserved funds would fund the installation of six motorized gate valves, or one additional motorized gate valve, at the six locations listed below. Therefore, DPW has added a sixth location to the previously determined five locations for the installation of motorized gate valves in the AWSS. JMB Construction, Inc. bid a total of \$1,572,026 for the installation of the six motorized gate valves.

In November of 1986 the voters of San Francisco approved Proposition A, Fire Protection Systems Improvement General Obligation Bonds in the amount of \$46.2 million to be used for the City's AWSS. The City sold a total of \$46.2 million in Fire Protection Systems Improvement General Obligation Bonds (\$31 million in 1987 and \$15.2 million in 1991) to finance improvements to the City's AWSS. According to Ms. Christine Ragan of the Fire Department, the amount of the bond proceeds have since been fully appropriated by the Board of Supervisors and expended for AWSS capital improvements.

In March of 1996, the Board of Supervisors approved a supplemental appropriation ordinance for \$3,907,900 (File 101-95-61) from accrued interest earnings from the Fire Protection Systems Improvement Bonds for four categories of capital improvement projects: (1) repair and improvement of the Fireboat Phoenix, (2) implementation of motorized AWSS control valves, (3) repairs to the AWSS water storage tank, and (4) emergency repairs of AWSS facilities. The Board of Supervisors placed \$3,269,850 of the total appropriation of \$3,907,900 on reserve (Ordinance No. 127-96) pending the submission of budget details. To date, a total of \$1,167,942 of the \$3,269,850 has been released, including \$478,250 for the repair and improvement of the Fireboat Phoenix, \$450,125 for emergency repairs to AWSS facilities, and \$239,567 for repairs to the AWSS water storage tank (see Comment No. 1), resulting in a balance of \$2,101,908 remaining on reserve. As previously mentioned, on September 25, 2002, the Finance Committee released \$32,417, resulting in a remaining balance of \$2,069,491.

Approval of this subject request in the amount of \$2,039,000 would leave a remaining balance of \$30,491.

This proposed expenditure of \$2,039,000 for the installation of six motorized gate valves would be completed by an outside contractor at the following locations: (a) the southeast corner of Van Ness & Bay Street; (b) the southeast corner of Sacramento & Kearny Streets; (c) the southeast corner of 17<sup>th</sup> & Dolores Streets; (d) the southeast corner of 7<sup>th</sup> Avenue & Irving Street; (e) the southeast corner of Sutter & Kearny Streets; and (f) the southwest corner of Powell and Sacramento Streets. Currently the six locations have valves that must be manually opened and closed to control water pressure in the City's AWSS. Presently, the Fire Department must manually open or close a gate valve, by having Fire Department personnel access the gate valve, at each of the applicable site locations. The proposed installation of motorized gate valves would allow the Fire Department to remotely open and close the valves by sending a signal to a sensor attached to the motorized gate valves to allow for more or less water pressure in the City's AWSS as needed.

**Budget:**

A summary budget for the proposed installation of the six motorized gate valves is as follows:

| Location and Uses                                                             | Amount         |
|-------------------------------------------------------------------------------|----------------|
| Mobilization (see Comment No. 3)                                              | \$70,000       |
| Van Ness Ave & Bay St.                                                        | 218,220        |
| Sacramento & Kearny Sts.                                                      | 174,500        |
| 17 <sup>th</sup> St. & Dolores St.                                            | 217,100        |
| 7 <sup>th</sup> Ave. & Irving St.                                             | 63,400         |
| Sutter & Kearny Sts.                                                          | 273,550        |
| Powell & Sacramento Sts.                                                      | 101,500        |
| Allowances (see Comment No. 3)                                                | <u>453,756</u> |
| Subtotal Bid Costs                                                            | \$1,572,026    |
| Contingencies (at 10 percent)                                                 | <u>157,204</u> |
| Subtotal Estimated Construction Costs                                         | \$1,729,230    |
| Construction Management & Inspection<br>(DPW inhouse costs, see Attachment I) | 224,800        |
| Construction Support<br>(DPW inhouse costs, see Attachment I)                 | <u>84,970</u>  |
| Total Estimated Costs                                                         | \$2,039,000    |

**BOARD OF SUPERVISORS**

**BUDGET ANALYST**

**Comments:**

1. Mr. Saed Toloui of DPW, Project Manager for the installation of the motorized gate valves, reports that DPW selected the contractor for the installation of the six motorized gate valves in the City's AWSS, based on a competitive bidding process. Attachment II, provided by DPW, includes a list of the six companies, which responded to DPW including the amounts bid for the work to install the six motorized gate valves.

2. The Board of Supervisors previously placed the subject requested funds on reserve pending a competitive bidding process for the installation of the motorized gate valves and other related work. The purpose of the Board of Supervisors reserve was for the Department to report back to the Board of Supervisors as to the results of the competitive bid process, including selection of the contractor and bid amounts. DPW has completed the competitive bidding process and selected the low bidder, JMB Construction, Inc., as the construction contractor.

3. The amount of \$70,000 budgeted for Mobilization includes the start-up costs for the contractor, JMB Construction, Inc. for the installation of the six motorized gate valves. The amount of \$453,756 budgeted for Allowances includes costs for construction equipment and additional costs resulting from the construction work to be reimbursed to the Municipal Railway and Police Department by JMB Construction, Inc.

**Recommendation:**

Release the requested \$2,039,000 in reserved funds.

**Motorized Valves #2  
JO 7090E (R)**

| <b>Construction Support</b>                   |                                                 |              |                          |                  |
|-----------------------------------------------|-------------------------------------------------|--------------|--------------------------|------------------|
|                                               | <b>Classification</b>                           | <b>\$/hr</b> | <b>Estimated<br/>HRs</b> | <b>Extension</b> |
| 5254                                          | Associate Mechanical Engineer                   | \$86         | 157                      | \$13,525         |
| 5241                                          | Mechanical Engineer                             | \$118        | 79                       | \$9,279          |
| 5258                                          | Senior Mechanical Engineer                      | \$137        | 26                       | \$3,591          |
| 5174                                          | Administrative Engineer                         | \$127        | 52                       | \$6,658          |
| 5364                                          | Engineering Assoc.                              | \$74         | 52                       | \$3,879          |
| 1426                                          | Senior Clerk                                    | \$58         | 52                       | \$3,041          |
| 5229                                          | Assoc. Traffic Engineer                         | \$86         | 26                       | \$2,254          |
| 5241                                          | Traffic Engineer                                | \$118        | 52                       | \$6,186          |
| 5211                                          | Senior Traffic Engineer                         | \$137        | 13                       | \$1,796          |
| 5504                                          | Project Manager II                              | \$127        | 105                      | \$13,316         |
| -----                                         | Reproduction and misc. direct costs             | -----        | -----                    | \$21,445         |
|                                               |                                                 |              |                          | <b>\$84,970</b>  |
| <b>Construction Management and Inspection</b> |                                                 |              |                          |                  |
|                                               | <b>Classification</b>                           | <b>\$/hr</b> | <b>Estimated<br/>HRs</b> | <b>Extension</b> |
| 5211                                          | Division Manager                                | \$137        | 35                       | \$4,795          |
| 5174                                          | Construction Manager                            | \$128        | 120                      | \$15,360         |
| 5241                                          | Resident Engineer                               | \$118        | 500                      | \$59,000         |
| 1314                                          | Public Affairs Staff                            | \$86         | 160                      | \$13,760         |
| 5203                                          | Office Manager                                  | \$86         | 400                      | \$34,400         |
| 6318                                          | Inspector                                       | \$94         | 800                      | \$75,200         |
| -----                                         | Material Testing Lab/ Environmental<br>oversite | -----        | -----                    | \$22,285         |
|                                               |                                                 |              |                          | <b>\$224,800</b> |

\* Base Bid is for the installation of motorized gate valves at the 5 locations previously determined. Alternates 1A, 1B and 1C are for the installation of a motorized gate valve at the 6<sup>th</sup> location included in the requested release of reserves. Alternates 2A, 2B and 2C are for the installation of a motorized gate valve at a 7<sup>th</sup> location not included in the requested release of reserves.

\*\* \$1,572,026 is the selected bid for the installation of motorized gate valves at 6 locations.

| BIDDERS |                                         | CLAIMED DISCOUNTS | BASE BID       | ALT # 1A     | ALT # 1B    | ALT # 1C    | ALT # 2A     | ALT # 2B    | ALT # 2C    | ALT #  | TOTAL          |
|---------|-----------------------------------------|-------------------|----------------|--------------|-------------|-------------|--------------|-------------|-------------|--------|----------------|
|         | Trinest Construction, Inc.              | 10.00%            | \$1,547,656.00 | \$166,000.00 | \$1,000.00  | \$15,000.00 | \$150,000.00 | \$1,000.00  | \$3,000.00  | \$0.00 | \$1,883,610.00 |
|         | A. Ruiz Construction Co. & Assoc., Inc. | 10.00%            | \$1,371,378.26 | \$185,210.00 | \$1,000.00  | \$15,000.00 | \$172,815.00 | \$1,000.00  | \$2,500.00  | \$0.00 | \$1,748,810.00 |
|         | Homer J. Olsen, Inc.                    | 0.00%             | \$1,664,304.00 | \$230,000.00 | \$1,000.00  | \$1,000.00  | \$195,000.00 | \$1,000.00  | \$0.00      | \$0.00 | \$2,093,304.00 |
|         | Valentine Corp.                         | 0.00%             | \$1,917,369.00 | \$385,000.00 | \$10,000.00 | \$45,000.00 | \$335,000.00 | \$15,000.00 | \$45,000.00 | \$0.00 | \$2,752,319.00 |
|         | NGCI, Inc.                              | 10.00%            | \$1,997,950.00 | \$399,000.00 | \$15,000.00 | \$10,000.00 | \$440,000.00 | \$15,000.00 | \$10,000.00 | \$0.00 | \$2,886,500.00 |
|         | JMB Construction, Inc.                  | 10.00%            | \$1,470,526.00 | \$97,500.00  | \$1,500.00  | \$2,500.00  | \$169,000.00 | \$1,000.00  | \$2,000.00  | \$0.00 | \$1,744,410.00 |

**ANNOUNCED CONSTRUCTION BUDGET: \$1,726,181 Priority of Alternates are: 1A, 1B, 1C, 2A, 2B & 2C\***

**PRELIMINARY ANALYSIS TO DETERMINE APPARENT LOW BIDDER:**

|                                                                                       | BASE +<br>ALT 1A | BASE +<br>ALT 1A+1B | BASE +<br>ALT 1A+1B+1C | ALT<br>A    | ALT<br>1A+1B+1C+2 | ALT<br>2A+2B | ALT<br>1A+1B+1C+<br>2A+2B | ALT<br>1A+1B+1C+2<br>A+2B+2C | BASE + ALT<br>1+2+3+4+5+6+7 | BASE + ALT<br>1+2+3+4+5+6+7+8 | MAXIMUM BA<br>ALTS LESS<br>DISCOUNT |
|---------------------------------------------------------------------------------------|------------------|---------------------|------------------------|-------------|-------------------|--------------|---------------------------|------------------------------|-----------------------------|-------------------------------|-------------------------------------|
| Trinet Construction, Inc.<br>(calculations of base bid plus alternates)               | 10.00%           | \$1,547,656.00      | \$1,713,656            | \$1,779,656 | \$1,879,656       | \$1,880,656  | \$1,000,000               | \$3,000,000                  | \$0.00                      | \$0.00                        | \$1,556.65                          |
| A. Ruiz Construction Co. & Assoc., Inc.<br>(calculations of base bid plus alternates) | 10.00%           | \$1,371,378.26      | \$1,557,588            | \$1,572,588 | \$1,745,393       | \$1,746,393  | \$1,000,000               | \$2,500,000                  | \$0.00                      | \$0.00                        | \$1,415.31                          |
| Homer J. Olsen, Inc.<br>(calculations of base bid plus alternates)                    | 0.00%            | \$1,664,304.00      | \$230,000.00           | \$1,000,000 | \$195,000.00      | \$1,000,000  | \$1,000,000               | \$1,000,000                  | \$0.00                      | \$0.00                        | \$1,896.31                          |
| Valentine Corp.<br>(calculations of base bid plus alternates)                         | 0.00%            | \$1,917,369.00      | \$385,000.00           | \$10,000.00 | \$45,000.00       | \$15,000.00  | \$45,000.00               | \$45,000.00                  | \$0.00                      | \$0.00                        | \$2,357.31                          |
| RCCL, Inc.<br>(calculations of base bid plus alternates)                              | 10.00%           | \$1,997,506.00      | \$399,000.00           | \$15,000.00 | \$2,421,506       | \$2,876,506  | \$2,886,506               | \$2,886,506                  | \$0.00                      | \$0.00                        | \$2,179.31                          |
| JNB Construction, Inc.<br>(calculations of base bid plus alternates)                  | 10.00%           | \$1,470,526.00      | \$97,500.00            | \$1,500.00  | \$2,500.00        | \$1,000.00   | \$2,000.00                | \$2,000.00                   | \$0.00                      | \$0.00                        | \$1,440.65                          |

†highlighted cell = maximum alternate that can be selected

Memo to Finance Committee  
December 18, 2002 Finance Committee Meeting

Item 9 - File 02-1966

**Department:** Fire Department

**Item:** Hearing to consider release of reserved funds, Fire Department's FY 2002-2003 budget, in the amount of \$322,277 for salaries of five existing training officers (three H-39 Training Captains and two H-43 EMS Training Section Chiefs).

**Amount:** \$322,277

**Source of Funds:** Reserved funds in the Fire Department's FY 2002-2003 budget, as finally approved by the Board of Supervisors.

**Description:** During its consideration of the Fire Department's budget for FY 2002-2003, the Board of Supervisors reserved six months of salary costs, in the amount of \$322,277, for the following five filled positions:

| Position                                                       | Salary           |
|----------------------------------------------------------------|------------------|
| 1 (0.5 FTE) H-39 In-Service Training Officer                   | \$57,338         |
| 1 (0.5 FTE) H-39 H-3 Academy Officer                           | 57,338           |
| 1 (0.5 FTE) H-39 Firefighter Recruit Training Officer          | 57,338           |
| 1 (0.5 FTE) H-43 EMS In-Service Training Section Chief         | 57,338           |
| <u>1 (0.5 FTE) H-43 EMS Academy Section Chief</u>              | 57,338           |
| 5 (2.5 FTE)<br>Variable Mandatory Fringe Benefits (11 percent) | 35,587           |
| <b>TOTAL:</b>                                                  | <b>\$322,277</b> |

The funds were reserved for the purpose of having the Fire Department report back to the Finance Committee by December 1, 2002 on its progress towards reorganizing its training functions to create an integrated Division of Fire and Medical Training, in accordance with Recommendations 1.4.1 to 1.4.3 of the Budget Analyst's

January, 2002 Management Audit of the Fire Department (see Comment No. 2). These recommendations were approved by the Board of Supervisors Rules and Audits Committee during its extensive hearings on the Budget Analyst's Management Audit Report prior to the Budget Committee's consideration of the Mayor's Recommended FY 2002-2003 Fire Department budget. The Rules and Audits Committee recommended implementation of Management Audit Recommendations 1.4.1 to 1.4.3 to the Budget Committee. While stating that there would be no savings in FY 2002-2003, the Rules and Audits Committee noted that there would be future year savings. These future year savings are estimated to be \$159,374 annually in 2003 dollars.<sup>1</sup>

**Comments:**

1. As part of its comprehensive management audit of the Fire Department, the Budget Analyst's Office reviewed the Fire Department's training and education functions. The Budget Analyst's Office concluded in Section 1.4 of the Management Audit Report that:

- Fire Department training and education functions are currently spread across the Division of Training, the EMS Academy Section of the EMS Division, and the EMS In-service Training Section of the EMS Division.
- Structural and management fragmentation hinders integration of the Fire Department's fire suppression and emergency medical services responsibilities, complicates management accountability, creates the potential for unevenly applied training and education quality standards, and increases costs.

2. As a result of these findings, the Budget Analyst's Management Audit contained the following recommendations:

- Recommendation 1.4.1: Transfer the EMS Academy Section and the EMS In-service Training Section to a

---

<sup>1</sup> The projected annual savings of \$159,374 assume (a) January 4, 2003 pay rates, and (b) a total 16.8 percent mandatory fringe benefits rate.

renamed Division of Fire and Medical Training during FY 2002-2003.<sup>2</sup>

- Recommendation 1.4.2: Recruit widely for the new Director of Fire and Medical Training position, including advertising for a candidate with both fire suppression and emergency medical services training experience.
- Recommendation 1.4.3: Restructure the Division of Fire and Medical Training during FY 2002-2003 to integrate training and education functions for fire suppression and emergency medical services, and to reduce the number of staff reporting directly to the new Director of Fire and Medical Training position by FY 2003-2004.

3. The Budget Analyst's Management Audit Report stated that a reduction in the number of personnel reporting directly to the new Director of Fire and Medical Training should result in the elimination of five positions and the creation of four positions, as follows:

- Elimination of two Classification H-39 Fire Captain positions responsible for the H-3 Academy and firefighter recruit training, and elimination of one Classification H-43 EMS Academy Section Chief position. These three positions to be eliminated would be replaced by two positions: (a) one Manager, Cross-Training (who could be either Classification H-39 or Classification H-43), and (b) one Manager, Recruit and EMT Training (who could be either Classification H-39 or Classification H-43).
- Elimination of one Classification H-39 Fire Captain position responsible for in-service training, and elimination of one Classification H-43 EMS In-service Training Section Chief position. These two positions to be eliminated would be replaced by one position: the Manager, In-service Training (who could be either Classification H-39 or Classification H-43).<sup>3</sup>

---

<sup>2</sup> The dates contained in the Management Audit Report's recommendations have been updated in this report to the Finance Committee in order to accommodate the length of the review period between publication of the Management Audit Report, the public hearings held by the Rules and Audits Committee, and the budget review conducted by the Budget Committee.

<sup>3</sup> To meet Emergency Medical Services Agency (EMSA) requirements, the successful applicants for the three new Division of Fire and Medical Training management positions (the Manager, Cross Training; the Manager, Recruit and EMT Training; and the Manager, In-service Training) would need to hold a current paramedic, nursing, or medical license. If there are no appropriately qualified

- The teaching and education services currently provided by the EMS Academy Section Chief and the EMS In-service Training Section Chief should be provided by one new Classification H-33 Rescue Captain position.

As noted above, the estimated net personnel cost savings from eliminating five existing positions and creating four new positions would be \$159,374 annually.

Attachment I is an extract from the Budget Analyst's Management Audit Report which compares the current organization of the Fire Department's training functions, under two divisions, with the recommended organization of the Fire Department's training functions under an integrated Division of Fire and Medical Training.

4. By reducing the number of management positions which currently have overlapping areas of responsibility, and creating new management positions which integrate equivalent emergency medical and fire suppression training and education functions, the Budget Analyst's Management Audit determined that the more streamlined Division of Fire and Medical Training would:

- Adopt a more integrated and strategic approach to training and education.
- Develop clearer management accountabilities.
- Apply consistent training quality standards.
- Result in net estimated savings of \$159,374 annually in personnel costs.

5. In Attachment II, a November 27, 2002 memorandum to the Finance Committee requesting release of the subject reserves, the Fire Chief advises that the Fire Department has undertaken the following activities to consolidate emergency medical and fire suppression training:

---

cross-trained staff within the Fire Department to successfully fill these three new positions, the Management Audit recommended that the Fire Department advertise for appropriately qualified outside applicants.

- The Fire Department conducted its first combined emergency medical and fire suppression training module in September and November of 2002.
- The Director of Training is developing a master training schedule for 2003 which comprises a number of training modules combining emergency medical and fire suppression training.
- The Fire Department instituted a classroom reservation and scheduling procedure to coordinate the sharing of classroom space and equipment by both emergency medical and fire suppression training programs.
- The Director of Training instituted mandatory quarterly meetings for emergency medical and fire suppression training staff to promote training consolidation.
- The Fire Department established a centralized training database.
- The Director of Training is working with the Real Estate Division and the Mayor's Office of Economic Development to locate viable sites for a consolidated training facility to facilitate cross-training of emergency medical and fire suppression staff.

6. The Fire Department's November 27, 2002 memorandum to the Finance Committee (Attachment II) does not state what progress the Fire Department is making towards the structural reorganization recommended in the Budget Analyst's Management Audit Recommendations 1.4.1 to 1.4.3. Attachment III is a December 11, 2002 memorandum, provided by Deputy Chief Joseph Asaro of the Fire Department, which explains why the Fire Department is not implementing the Budget Analyst's recommendations in order to achieve an integrated Division of Fire and Medical Training by FY 2003-2004. According to Deputy Chief Asaro, the Fire Department:

- Supports integration and consolidation of all training and education functions under the current name of the Division of Training once a common training facility is

available instead of the current three training locations.

- States that “a pool of candidates with both fire and medical training does not exist from the rank of H-30 Captain which is used to fill the H-39 Training Captain positions or in the H-33 Paramedic Captain which is used to fill the H-43 Section Chief positions.” The Fire Department contends that the integrated Division of Training should support promotional opportunities for Fire Department staff who have the necessary experience in “site specific fire and emergency medical policies, procedures, and standards applicable to the San Francisco Fire Department.”
- Objects to a reduction in the number of officers responsible for in-service training.

7. In terms of the issues raised by the Fire Department in Attachment III, the Budget Analyst notes that:

- The Fire Department is not implementing the Budget Analyst's Management Audit Recommendations 1.4.1 to 1.4.3 previously approved by the Rules and Audits Committee.
- Contrary to the Fire Department's statement in Attachment III, the organizational restructuring of the Fire Department's training and education functions is not dependent on relocation of all training functions to a single training facility. The Budget Analyst notes that the Fire Department was able to conduct its first combined emergency medical and fire suppression training module in September and November of 2002 despite not having a single training facility. An integrated training and education program can be provided from more than one facility.
- Despite having been responsible for providing emergency medical services since July 1, 1997, the Fire Department lacks a pool of appropriately cross-trained Classification H-39 Fire Captains and Classification H-43 EMS Section Chiefs, in terms of both (a) the present incumbents of those classifications, and (b) the staff who can act in those classifications or could promote to those classifications once the necessary Civil Service Commission certification rule has been adopted. Since July 1, 1997, the Fire Department has had five years in which

to ensure that its current and future training and education providers are appropriately cross-trained, but the Fire Department has failed to do so. According to Ms. Christine Ragan of the Fire Department, the approved emergency medical services merger plan never required the Fire Department to cross train Classification H-33 Rescue Captains. The Budget Analyst considers that cross-training of current and future Fire Department training and education providers, regardless of their classification, would provide role models to encourage more Fire Department staff to cross-train.

- While applicants for the Fire Department's training and education management positions from within the ranks of the Fire Department would have San Francisco Fire Department-specific and San Francisco site-specific knowledge, these attributes are not sufficient arguments against advertising outside of the San Francisco Fire Department for qualified cross-trained applicants and hiring them if they are more highly qualified. The Budget Analyst notes that:
  - (a) Both the Fire Chief and the Chief Financial Officer were appointed from outside the Fire Department.
  - (b) All non-management positions in the new Division of Fire and Medical Training would continue to be filled by their current incumbents. Most of these current staff have promoted up through the ranks of the San Francisco Fire Department.
  - (c) All training and education managers should be qualified to meet the Federal and State training requirements for emergency medical and fire suppression services which govern the San Francisco Fire Department's policies and procedures.
- According to Mr. Martin Gran of the City Attorney's Office and Ms. Alice Villagomez of the Department of Human Resources, pursuant to the meet and confer provisions contained in State law, the City Charter, the Administrative Code's Employee Relations Ordinance, and the City's Memorandum of Understanding with Local 798, the Fire Department has the right to:

- (a) Restructure the Fire Department's training and education functions, although a new organizational structure is subject to a meet and confer process on the restructuring's impacts.
  - (b) Hire appropriately qualified applicants from outside the Fire Department, subject to a meet and confer process which considers reduced promotional opportunities for existing staff, workload impacts, and changed access to overtime.
- The proposed reduction of one training and education manager is an efficiency made possible by reducing overlapping areas of responsibility. One of the Budget Analyst's recommendations is to create one new Classification H-33 Rescue Captain position to provide the teaching and education services currently provided by the EMS Academy Section Chief and the EMS In-service Training Section Chief.

8. Although Ms. Ragan states that displaced Fire Department employees would result in lay-offs where the ranks are filled, the Budget Analyst concludes unqualifiedly that no current Fire Department employees would need to be laid off as a result of restructuring the Fire Department's training and education functions. In FY 2002-2003 the Fire Department has 1,926.24 FTE positions, of which the five positions presently on reserve represent approximately 0.26 percent. Therefore, any current training and education managers who are not appropriately qualified for the new training and education manager positions would, as uniformed staff, be eligible for reassignment to the Fire Department's daily minimum staffing requirements for emergency medical or fire suppression services.

9. As stated in the Budget Analyst's Management Audit Report Transmittal Letter (pages 5 and 6):

As the Department moves forward, the lack of meaningful integration of its two principal functions [emergency medical and fire suppression services] will continue to hamper its organizational effectiveness. For example, ... many more resources are devoted to the Department's fire suppression-focused Division of Training than to its training sections within the EMS

Division, even though 70 percent of the Department's workload is emergency medical services related.<sup>4</sup> This reflects both a strategic and a training failure, and is likely to reinforce some of the cultural friction between fire suppression and EMS staff that surfaced during our study.

**Recommendation:** Disapprove release of the subject reserved funds until the Fire Department provides the Finance Committee with a plan for the structural reorganization of its training and education functions in FY 2003-2004, as recommended by the Budget Analyst's Management Audit Report Recommendations 1.4.1 to 1.4.3, and as recommended by the Rules and Audits Committee of the Board of Supervisors.

---

<sup>4</sup> For example, the current Division of Training has 26 staff under the Director of Training, while the two EMS sections responsible for emergency medical services training and education have only nine staff under the EMS Chief, plus part-time paramedic and EMT instructors as needed. Ms. Ragan states that over 50 percent of the Fire Department's training hours are related to emergency medical services. Therefore, over half of the training and education hours are being provided by fewer than half of the available training and education staff.

### Section 1.4 Reorganize Training and Education



**Fire Chief**

**Deputy Chief of Administration**

**Director of Training,  
Division of Fire and  
Medical Training**

**1.00 FTE H-39/H-43  
Manager, Cross-  
Training  
NEW POSITION**

**1.00 FTE H-39/H-43  
Manager, Recruit  
and EMT Training  
NEW POSITION**

**1.00 FTE H-39/H-43  
Manager, In-Service  
Training  
NEW POSITION**

**1.00 FTE 1426  
Senior Clerk**

**1.00 FTE H-39  
Special Projects  
Officer**

**1.00 FTE H-16  
Technical Training  
Specialist**

**Fire Department  
Reserves  
Commander**

**1.00 FTE  
1426 Senior Clerk  
Typist**

**1.00 FTE  
1424 Clerk Typist**

**4.00 FTE H-33  
Rescue Captains,  
EMS Instructors**

**2.00 FTE H-20  
Lieutenants, Fire  
Suppression  
Instructors**

**1.00 FTE H-33  
Rescue Captain,  
EMS Instructor  
NEW POSITION**

**3.00 FTE H-2  
Fire Fighters, Fire  
Suppression  
Instructors**

**8.00 FTE H-28  
Lieutenants, Fire  
Suppression  
Instructors**

**Part-Time EMT  
Instructors, as  
needed**

**1.00 FTE  
1424 Clerk Typist**

**2.00 FTE H-33  
Rescue Captains  
EMS Instructors**

**4.00 FTE H-28  
Lieutenants, Fire  
Suppression  
Instructors**

**Part-Time  
Paramedic  
Instructors, as  
needed**

**TOTAL TRAINING STAFF =  
36.00 FTEs  
(a reduction of 1.00 FTE)**

CITY AND COUNTY OF SAN FRANCISCO  
SAN FRANCISCO FIRE DEPARTMENT

Attachment II  
Page 1 of 2

Mario H. Treviño, Chief of Department

Bernie F. Lee, Acting Deputy Chief of Operations

Joseph C. Asaro, Deputy Chief of Administration



698 SECOND STREET

SAN FRANCISCO, CA 94107-2015

Telephone: (415) 558-3400

November 27, 2002

Supervisor Aaron Peskin, Chair Finance Committee  
City Hall Room  
1 Carlton B. Goodlett Place  
San Francisco, CA 94107

**Re: Release of Reserves for Training Officers**

Dear Supervisor Peskin:

The San Francisco Fire Department respectfully requests the release of salaries for five training officers. The salaries for three H-39 Training Captains and two H-43 EMS training Section Chiefs for the second half of fiscal year 02-03 were placed on reserve with the recommendation that a report be submitted to the Finance Committee detailing the progress on our efforts and plans to consolidate fire and medical training.

These positions provide the medical and fire training needed to fulfill the mission of the Fire Department in saving lives and property. Training is one of the most important aspects of any modern Fire Department. As such, the Department has implemented the following procedures as *standard practice* in the management of *all* training functions:

1. Coordination and scheduling of all training programs, including emergency medical training, are developed and approved by the Director of Training. In conjunction with all training personnel, the Director of Training is developing the master training schedule for 2003.

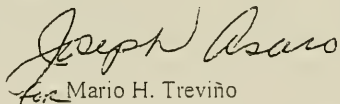
As part of this effort, the first combined emergency medical and fire suppression training (Module 10) was conducted in September at the Treasure Island Training Facility. This training involved the management of a multi-casualty incident at a live fire scenario. The use of the Incident Command System (ICS) at a multidisciplinary event was reviewed and practiced. This highly successful training module was held as a cooperative effort by fire and medical training personnel, and several joint training modules will be scheduled as part of the annual training cycle. Additionally, a large scale disaster drill was conducted at Candlestick Park on Saturday, November 2<sup>nd</sup>, as a follow-up to the joint training. This major drill involved 1000 community volunteers. This joint emergency medical and fire-suppression training operation was the first of its kind in San Francisco.

2. A classroom reservation and scheduling procedure has been instituted which permits fire and medical training programs to share classroom space and equipment. As an example, during October and November of this year, the training requirements of the Department have greatly exceeded the available training space at all three training sites. The collaboration and coordination between the fire and medical training staff permitted the Department to overcome a serious classroom scheduling impasse.
3. The Director of Training has instituted mandatory quarterly staff meetings in an effort to have all training personnel work collaboratively towards consolidation. These meetings will forge relationships initially and promote a shared base of knowledge and experience amongst medical and fire suppression instructors. Eventually, the training staff will receive joint staff development in such matters as the creation of cross-disciplinary training programs based on modern adult learning methods including behavioral objectives, interactive training, and use of medical and firefighting materials.
4. The Department has established procedures regarding the maintenance of all training records including suppression, medical, and technical rescue. Training personnel at all three sites have received instruction in the use and management of the centralized training database.

The implementation of a new training facility comprises the third phase of the Department's plan. The Director of Training has made a concerted effort to work with the Department of Real Estate and the Mayor's Office of Economic Development to locate viable sites for a consolidated training facility. The physical separation of the Department's training facilities and the continued need to crosstrain all members of the training staff represent challenges in coordinating emergency medical and fire suppression training. Furthermore, the proposed development of Treasure Island does not include the existing live burn facility, which further emphasizes the need to identify a consolidated fire and emergency medical training facility.

The Department remains committed to providing high quality training for its members and the best possible service to the community we serve. The release of training staff salaries will permit us to continue in this endeavor. Your assistance in this matter is gratefully appreciated.

Sincerely,

  
for Mario H. Treviño  
Chief of Department

CC: Ben Rosenfield, Mayor's Office of Finance and Legislative Affairs  
Gloria Young, Clerk of the Board  
San Francisco Fire Commission  
Harvey Rose, Budget Analyst

CITY AND COUNTY OF SAN FRANCISCO  
SAN FRANCISCO FIRE DEPARTMENT

Mario H. Treviño, Chief of Department

Bernie F. Lee, Acting Deputy Chief of Operations

Joseph C. Asaro, Deputy Chief of Administration



698 SECOND STREET

SAN FRANCISCO, CA 94107-2015

Telephone: (415) 558-3400

December 11, 2002

Supervisor Aaron Peskin, Chair Finance Committee  
City Hall Room  
1 Carlton B. Goodlett Place  
San Francisco, CA 94107

**Re: Release of Reserves for Training Officers**

Dear Supervisor Peskin:

The Department supports integration and consolidation of all training and education functions whenever possible. As such, the Department has outlined a three phase plan for integration of all training and relocation at a common site in previous audit responses which maintains the current name of the Division of Training and supports promotional opportunities for members of the Department.

Training is one of the most critical functions of fire and emergency medical services, and the Department requires all of its existing training resources to meet its goal of improving and expanding training programs over the next several years.

A clear indication of the progress obtained by the Department is the deployment of 18 advance life support (ALS) engine companies. In February 2003, the number of ALS engines will expand to 25, further blending fire and emergency medical operations and improving service to the citizens of the City and County of San Francisco.

The audit suggests the number of training officers responsible for in-service training be reduced which would severely impact the effective development and implementation of fire and medical training activities. Both fire and medical services officers often participate in various committees both within and outside of the Department that require specific expertise. These officers attend professional training programs, conduct performance reviews, meet with students, review class evaluation forms, and schedule instructors. Combining training functions does not reduce the amount of this activity.

With the anticipated retirements of approximately 14% of our uniformed employees over the next three years, the need for a fully staffed Training Division is of paramount importance. The salaries for three H-39 Training Captains and two H-43 Training Section Chiefs for the second half of fiscal year 2002-2003 were placed on reserve with the recommendation that a report be submitted to the Finance Committee detailing the progress on our efforts and plans to consolidate fire and medical training.

The letter dated November 27, 2002 to the Finance Committee outlined the progress the Department has made in combining fire and medical training. It remains the Department's goal to combine medical and fire training at one location. Currently training is provided at three separate locations:

- 19<sup>th</sup> & Folsom – Fire suppression training for new hires, Haz Mat recertification, and a 7 story fire training tower for probationary members and In-service training
- Presidio – Emergency medical training, certification and recertification
- Treasure Island – Live burn training, specialized training (i.e. search and rescue, engine and truck drills, roof ventilation drills), wild land training, and required maritime training

Last fiscal year, the Fire Department conducted 106,021 hours of training at these three sites. That averages to 21,204 hours of training managed by the existing 5 training positions whose salaries are on reserve. These numbers do not include the hours to supervise and participate in the development, implementation and evaluation of training programs, continuing education, policies, curriculum and activities, and coordinating and implementing changes to training modules as required by local, state or federal law as well as change in safety standards. They are required to ensure that all training is properly tracked and a data base of training is maintained to ensure compliance to mandates and standards.

The H-39 Training Captains require expertise, experience and knowledge of fire suppression. These positions coordinate and supervise all Department training activities, prepare training curriculum and documentation, maintain and review all training records, identify and assess current and future training needs, and assist with research and design and development of specialized workshops, seminars and orientation programs. The H-43 Training Section Chiefs require experience in medicine and the management of an adult educational program. These positions require extensive field experience as a paramedic and the paramedic academy curriculum is entirely medical in nature.

In summary, the duties and responsibilities of the H-39 Captains and the H-43 Training Section Chiefs include but are not limited to the following:

- H-39      Recruit Training Officer  
Responsible for oversight of H-2 Firefighter Recruit Academy, monthly evaluations of Probationary Field Training; coordination support and evaluation of San Francisco Fire Department Reserves
- H-39      In-Service Training Officer  
Responsible for oversight of In-Service Training of all uniformed members of the San Francisco Fire Department; provides on-going training and evaluation of front line firefighters, officers, companies and units.
- H-39      H-3 Academy Officer/Treasure Island Training Facility Coordinator  
Responsible for oversight of H-3 Firefighter/Paramedic Academy and monthly evaluations of Probationary Field Training; Coordinator of all activities at the Treasure Island Training Facility including tracking and scheduling all activities, oversight of fee schedule and assistance with oversight of maintenance contract.
- H-43      Section Chief - In-Service Training Section  
Coordinates and implements all manner of medical training for the 1,880 members of the Department. Directs a continuous cycle of training designed to provide all required medical training of paramedics, EMT's and First Responders mandated by local, state, and federal regulations. Manages an aggressive program that provides and tracks over 25,000 hours of training annually. This individual protects the legal authority of the Department to provide emergency medical care to the community by maintaining the licensure and certification of all its employees.
- H-43      Section Chief - EMS Academy  
Responsible for all new emergency medical training including the H-2 probationary EMT class, the Paramedic Training Program, training for paramedic preceptors, preparation for the National Registry Paramedic examination, EMT-ambulance training, and houses all material as a training center for American Heart Association (AHA). The AHA certifications in CPR and ACLS are mandated for all members in the Department.

A recommendation was made in the audit report to require that all training officers possess a current paramedic, nursing or medical license. However, a pool of candidates with both fire and medical training does not exist from the rank of H-30 Captain which is used to fill the H-39 Training Captain positions or in the H-33 Paramedic Captain which is used to fill the H-43 Section Chief positions. Hence, the

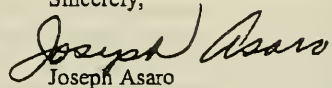
only way to implement the audit recommendation would be to recruit from outside the Department. This would not only trigger meet and confer with Fire Fighters Local 798 but would also be detrimental as members from the outside would not be experienced and knowledgeable in site specific fire and emergency medical policies, procedures, and standards applicable to the San Francisco Fire Department.

Emergency medical and fire suppression instructors bring a great deal of knowledge and experience in their respective disciplines but lack cross over experience at this time. Recent efforts by the Division of Training to coordinate the existing, highly-experienced training staff has accomplished, in large part, the goal and spirit of integrating SFFD training functions.

In the future, as outlined in the Department's three phase plan, greater cross over training for employees will create an internal pool of resources and provide opportunities for employees to progress and promote in the Department to these positions.

The need for continued high quality training with adequate and appropriate staffing is evident. Training cannot be compromised because it so directly impacts the ability to deliver quality service, a safe working environment and the fulfillment of our Mission Statement.

Sincerely,



Joseph Asaro

Deputy Chief of Administration

cc: Mario H. Treviño, Chief of Department  
Ben Rosenfield, Mayor's Office of Finance and Legislative Affairs  
Gloria Young, Clerk of the Board  
San Francisco Fire Commission  
Harvey Rose, Budget Analyst

Item 10 - Files 02-1876

**Department:** Department of Administrative Services, Real Estate Division

**Item:** Resolution authorizing the exercise of an extension option at 875 Stevenson Street for various City departments.

**Location:** 875 Stevenson Street: a portion of the first floor, all of the second, third, fourth and fifth floors, 25 parking spaces, and basement storage space.

**Purpose of Lease**

**Extension:** Office space in the amount of 158,442 square feet, as detailed in Attachment I to this report, provided by the Real Estate Division, for the following City Departments and functions: Assessor – Payroll; Controller - Payroll and Personnel; Public Administration and Public Guardian –County Veterans Service; Department of Public Works (DPW) - Payroll, Accounting, Streets and Mapping; MUNI - Security, MIS and Payroll; Reproduction and Mail Services; and, PUC Utilities Engineering Bureau, 25 parking spaces and 3,000 square feet of basement storage for the Law Library.

**Lessor:** Western Mart Co., L.P. (Western Mart)

**Lessee:** City and County of San Francisco through the Real Estate Division

**Term of Lease**

**Extension:** Five years, commencing on December 1, 2002 and terminating on November 30, 2007 (see Comment No. 3).

**Additional**

**Right of Renewal:** On November 30, 2007, the City would have an option to extend the lease for (a) one six month period, and (b) two one year periods.

**Monthly and Annual**

**Rent Payable by  
the City to**

**Western Mart:** The monthly rent payable by the City to Western Mart for 158,442 square feet of office space, 25 parking spaces and 3,000 square feet of basement storage space at 875 Stevenson Street, would be \$290,477 or \$3,485,724 annually

(\$22.00 per square foot or approximately \$1.83 per square foot per month based on the 158,442 square feet of office space). This proposed rent of \$3,485,724 annually would remain the same during the entire five year lease extension. The existing rent is \$218,587 monthly or \$2,623,044 annually (\$16.55 per square foot). Therefore, the proposed lease extension represents an increase of \$862,680 annually (\$71,890 monthly) or 32.9 percent over the existing rent.

**Utilities and  
Janitorial  
Services:**

The City would continue to pay for the costs of electricity, janitorial services, and security guards. According to Mr. Larry Jacobson of the Real Estate Department, the City would pay approximately \$1,050,000 annually for electricity, DPW custodians, and Building and Grounds Patrol Officers. Attachment II to this report, provided by Mr. Jacobson, shows the annual budget for these services.

**Comments:**

1. According to Mr. Jacobson, all of the existing City department tenants would remain at 875 Stevenson Street, with the exception of the PUC Utilities Engineering Bureau which will relocate its offices from the third floor (32,000 square feet) at 875 Stevenson Street to 1155 Market Street before March 1, 2003. The Budget Analyst previously reported to the Finance Committee for a supplemental appropriation ordinance (File 02-1892) approved by the Board of Supervisors on November 25, 2002, that the Department of Aging and Adult Services (DAAS) will move into the third floor at 875 Stevenson Street by August of 2003.<sup>1</sup>

2. According to Ms. Monique Zmuda of the Controller's Office, City department tenants do not have the funds budgeted for the increased monthly rental costs during FY 2002-2003 from December 1, 2002 through June 30, 2003 of \$71,890 per month for seven months, or a total of \$503,230, in their approved FY 2002-2003 budgets. According to Mr. Ben Rosenfield of the Mayor's Budget Office, the Mayor's

---

<sup>1</sup> The PUC will pay for the relocation and improvement expenses of the DAAS, which will cost \$298,000 from funds appropriated in the supplemental appropriation (File 02-1892), and for four of the five months (March of 2002 through January of 2003) at the existing rent rate (\$759,942 annually, \$63,328.50 monthly), which will cost the PUC \$253,314 from funds approved in their FY 2002-2003 budget.

Office will not support a supplemental appropriation for such increased rental costs and will work with the applicable City departments to absorb such increased costs in their FY 2002-2003 budgets.

3. Mr. Jacobson advises that the Real Estate Department is bringing the subject resolution to the Board of Supervisors, after the existing lease expired on November 30, 2002, because the City and Western Mart only reached an agreement on November 21, 2002. Mr. Jacobson states that the City is not renting the space at 875 Stevenson Street on a month to month basis but is rather waiting for retroactive approval to reimburse Western Mart for December's rent payment under the terms of the proposed five year lease extension. The proposed resolution should therefore be amended to provide for retroactivity.

4. As explained in Attachment II to this report, Mr. Jacobson states that an independent appraiser, David Bohegian, determined the prevailing market rental rate at 875 Stevenson Street to be approximately \$1.83 per square foot per month (\$22.00 per square foot per year), or \$3,485,724 annually for the 158,448 square feet of office space which the City is leasing. Mr. Jacobson states that the Real Estate Department agrees that Mr. Bohegian's independent appraisal of the market rental rate of the property represents fair market value.

**Recommendations:** 1) In accordance with Comment No. 3, amend the subject resolution to provide for retroactivity.

2) Approve the subject resolution, as amended.

## 875 STEVENSON RENT ALLOCATION

Attachment I

| <i>Department</i>                       | <i>BOMA<br/>Area</i> | <i>Rent Per<br/>Sq. Ft.</i> | <i>Monthly<br/>Rent</i> | <i>Annual<br/>Rent</i> |
|-----------------------------------------|----------------------|-----------------------------|-------------------------|------------------------|
| Reproduction (1st)                      | 9,396                | 1.8333                      | 17,226                  | 206,708                |
| DTIS (1st, 5th)                         | 35,158               | 1.8333                      | 64,455                  | 773,462                |
| Assessor/Recorder (1st)                 | 9,934                | 1.8333                      | 18,212                  | 218,544                |
| Lobby                                   | 0                    |                             |                         |                        |
| Public Administrator (2nd)              | 1,030                | 1.8333                      | 1,888                   | 22,660                 |
| Muni (formerly Pub. Admin. Space)       | 12,248               | 1.8333                      | 22,454                  | 269,451                |
| Muni (2nd)                              | 8,873                | 1.8333                      | 16,267                  | 195,202                |
| Controller - PPSD (2nd & 3rd)           | 13,230               | 1.8333                      | 24,255                  | 291,055                |
| PUC (3rd)                               | 33,146               | 1.8333                      | 60,767                  | 729,199                |
| DPW (4th)                               | 33,700               | 1.8333                      | 61,782                  | 741,387                |
| Café (4th)                              |                      |                             |                         |                        |
| Storage (1st)                           | 1,727                | 1.8333                      | 3,166                   | 37,993                 |
| (Storage: Treasurer 50%, Human Ser. 30% |                      |                             |                         |                        |
| Retirement 10%, Controller 5%           |                      |                             |                         |                        |
| Purchaser 5%)                           |                      |                             |                         |                        |
| <b>Totals</b>                           | <b>158,442</b>       |                             | <b>\$290,472</b>        | <b>\$3,485,661</b>     |

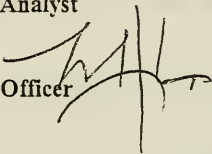
ATTACHMENT #1 RE: File 02-1876

MEMORANDUM

DATE: December 4, 2002

TO: Harvey Rose, Budget Analyst

FROM: Larry Jacobson  
Senior Real Property Officer



The following items are in response to your office's questions:

1. The reason that this resolution is being submitted to the Board of Supervisors after December 1, 2002 is that negotiations began in June 2002, and were not completed until November 21, 2002; too late to meet the December 1, 2002 deadline.
2. Paragraph 9 of the First Amendment of the lease describes the process for establishing an extension option rental rate; this process was used by the Mart (Landlord) and the City (Tenant). First it states "At the commencement of each Extended Term, the Rent shall be adjusted to equal ninety-five percent (95%) of the Prevailing Market Rate .....". The Amendment also includes a process for each party to hire an appraiser. If the appraisers' value is more than 10% apart, a third appraiser will be hired. The third appraiser will then average his value with the closer of the two previous appraisals. "This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the Prevailing Market Rate".

The 875 Stevenson Street Landlord's appraiser (Rhoades) recommended a \$26.50 per square foot rental rate, while the City's appraiser (Carneghi) set forth a rate of \$12.38 per square foot. The third appraiser (Bohegian) was hired by the City and the Landlord, and established a rate of \$22.00 per square foot.

If the City and the Landlord strictly followed the mechanism outlined in the lease, the Prevailing Market Rate would have been midpoint between the Rhodes appraisal (\$26.50) and the Bohegian appraisal (\$22.00) specifically \$24.25 per square foot. The City and the Landlord, however, agreed to accept the Bohegian rental rate of \$22.00, which is less than 95% of the \$24.25 (\$23.03). It was advantageous to the City to accept \$22.00 rather than 95% of \$24.25.

3. According to the terms of the lease, the City is obligated to lease the entire 158,442 square foot premises. The third floor of the subject building is presently occupied by the Public Utilities Commission staff. The staff will be moved to 1155 Market Street in the spring of 2003. The furniture, telephones and servers will remain in the leased space to be used by the next tenant: Department of Aging and Adult Services will move in as soon as is practical. Any large office move normally takes 60 to 90 days to have one tenant move out and a new tenant move in. The Real Estate Division anticipates that the time available will facilitate a smooth transition from PUC to DAAS.
4. The cost of security, janitorial / maintenance and electricity during the current fiscal year is as follows:

|             |               |
|-------------|---------------|
| Security    | \$264,000     |
| DPW/Maint.  | 701,000       |
| Electricity | <u>85,000</u> |
|             | \$1,050,000   |

Larry Jacobson 12/4/02

Item 11 – File 02-1877

**Departments:** Department of Administrative Services  
Convention Facilities Management (CFM)

**Item:** Resolution authorizing the Director of Convention Facilities Management to execute an amendment to the operating agreement between Convention Facilities Management and the Moscone Joint Venture by increasing the amount payable by Convention Facilities Management to the Moscone Joint Venture by \$829,109, or 5.5 percent, from \$15,015,100 to \$15,844,209.

**Description:** The proposed resolution would authorize the Director of Convention Facilities Management (CFM) to increase the amount of the operating agreement between the Department of Administrative Services' Convention Facilities Management with the joint venture contractor known as Moscone Joint Venture, consisting of SMG and Thigpen Limited, Inc., by a total of \$829,109 from \$15,015,100 to \$15,844,209, a 5.5 percent increase. The proposed amendment to the operating agreement would pay for the cost of SMG and Thigpen Limited, Inc. to prepare the new Moscone Center West for occupancy from March 1, 2003 through June 30, 2003. The source of funds for the operating agreement is Convention Facilities revenues. No General Fund monies are utilized for the operating agreement costs.

Mr. Jack Moerschbaecher, the Director of CFM, reports that the Department currently projects that, as of March 1, 2003, Moscone Center West will be ready to be prepared for occupancy four months prior to the planned official opening in July of 2003. Therefore, the Department is requesting to increase the amount of the operating agreement with SMG and Thigpen Limited, Inc. Mr. Moerschbaecher advises that such increased costs for operating Moscone Center West were not included in the FY 2002-2003 operating agreement because Convention Facilities Management did not know when Moscone Center West would be substantially complete and ready to prepare for occupancy prior to the opening in July of 2003. Mr. Moerschbaecher reports that the costs payable to SMG and Thigpen Limited, Inc. are needed as of March 1, 2003 in order to provide for housekeeping, promotion, event management, security and other

BOARD OF SUPERVISORS

BUDGET ANALYST

maintenance and operating costs prior to the opening of Moscone Center West in July of 2003.

**Budget:** A summary budget for the funds to be expended from March 1, 2003 through June 30, 2003 are as follows:

|                            | <b>Amount</b>    |
|----------------------------|------------------|
| Salaries and Wages         | \$381,189        |
| Payroll Taxes and Benefits | 129,620          |
| Maintenance                | 36,300           |
| Supplies                   | 56,500           |
| Overhead                   | 134,600          |
| Promotion                  | 22,900           |
| Other Operating Expenses   | 24,000           |
| Utilities                  | <u>44,000</u>    |
| <b>Total</b>               | <b>\$829,109</b> |

Attachments I and II, provided by the Office of Convention Facilities Management, provide additional budget details to support the expenditure of \$829,109.

Mr. Jeff Pera of the Controller's Office reports that Convention Facilities Management will transfer \$829,109 in Convention Facilities revenues previously allocated to CFM's capital budget for the Moscone Expansion Project to the operating budget for the Moscone Center. Mr. Pera advises that CFM can transfer the amount without approval or notification of the Board of Supervisors in accordance with Administrative Code Section 3.18. Mr. Moerschbaecher states that the \$829,109 is available for transfer to pay for the increased costs of the operating agreement for FY 2002-2003 because construction costs for Moscone Center West were approximately \$900,000 less than the amount budgeted for FY 2002-2003.

**Comments:** 1. Mr. Moerschbaecher states that the Office of Convention Facilities Management will increase the amount of the operating agreement with the Moscone Joint Venture by an estimated \$5,000,000 in FY 2003-2004 for the inclusion of the Moscone Center West operating costs for FY 2003-2004, resulting in a total estimated FY 2003-2004 operating agreement of \$20,015,100, or approximately 33.3 percent more than the current agreement amount of \$15,015,100.

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

2. Currently, the Moscone Center has approximately 600,000 square feet of meeting and exhibit space. The new Moscone Center West will provide for an additional 300,000 square feet of meeting and exhibit space, an increase of 50 percent, for total meeting and exhibit space of 900,000 square feet.

3. As shown in Attachment II, the amount of \$381,189 for March 1, 2003 through June 30, 2003 budgeted for Salaries and Wages includes expenditures for hourly wages for Operations, Housekeeping, Engineering, and Security and Traffic Control with hourly rates from \$10.55 per hour to \$31.32.

4. The amount of \$22,900 budgeted from March 1, 2003 through June 30, 2003 for Promotion includes expenditures for printing, advertising, photography and client relations.

**Recommendation:** Approve the proposed resolution.

Convention Facilities Management  
Moscone West Projected Budget  
March 1, 2002 - June 30, 2002

|                                 | March          | April          | May            | June           | Total          |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| Operating Expenses              |                |                |                |                |                |
| Salaries & Wages                | 65,894         | 75,894         | 98,944         | 140,457        | 381,189        |
| Payroll Taxes & Benefits        | 21,156         | 21,156         | 22,562         | 64,746         | 129,620        |
| Maintenance                     | 9,075          | 9,075          | 9,075          | 9,075          | 36,300         |
| Supplies                        | 14,125         | 14,125         | 14,125         | 14,125         | 56,500         |
| Overhead                        | 33,200         | 33,200         | 33,255         | 34,945         | 134,600        |
| Promotion                       | 5,725          | 5,725          | 5,725          | 5,725          | 22,900         |
| Other Operating Expenses        | 1,250          | 1,250          | 1,880          | 19,620         | 24,000         |
| Utilities                       | 9,000          | 9,000          | 11,000         | 15,000         | 44,000         |
| <b>Total Operating Expenses</b> | <b>159,425</b> | <b>169,425</b> | <b>196,566</b> | <b>303,693</b> | <b>829,109</b> |

SAN FRANCISCO CONVENTION FACILITIES  
 SCHEDULE OF PAYROLL EXPENSE - MOSCONE WEST  
 BUDGET - FOUR MONTH PERIOD ENDING JUNE 30, 2003

| TITLE                                 | EMPLOYEE NAME              | HOURLY RATE | FTE HOURS     | PROPOSED Y/E 6/30/2003 |
|---------------------------------------|----------------------------|-------------|---------------|------------------------|
| <b>OPERATIONS</b>                     |                            |             |               |                        |
| OPERATIONS MANAGER                    | OPEN                       | \$ 25.96    | 2,054         | 53,330                 |
| EVENT ATTENDANTS - REGULAR            | FULL-TIME EQUIVALENTS      | \$ 18.22    | 1,439         | 26,210                 |
|                                       | VACATION                   |             |               | 3,010                  |
|                                       | <b>OPERATIONS TOTALS</b>   |             | <b>3,493</b>  | <b>82,542</b>          |
| <b>HOUSEKEEPING</b>                   |                            |             |               |                        |
| WINDOW WASHER                         | OPEN                       | \$ 18.52    | 976           | 18,080                 |
| OUTSIDE PERSON                        | OPEN                       | \$ 18.52    | 976           | 18,080                 |
| EVENT ATTENDANTS - REGULAR            | FULL-TIME EQUIVALENTS      | \$ 18.22    | 1,439         | 26,210                 |
|                                       | VACATION                   |             |               | 5,082                  |
|                                       | <b>HOUSEKEEPING TOTALS</b> |             | <b>3,391</b>  | <b>67,452</b>          |
| <b>ENGINEERING</b>                    |                            |             |               |                        |
| MAINTENANCE ENGINEER                  | OPEN                       | \$ 31.32    | 2,416         | 75,670                 |
|                                       | VACATION                   |             |               | 5,842                  |
|                                       | <b>ENGINEERING TOTALS</b>  |             | <b>2,416</b>  | <b>81,512</b>          |
| <b>SECURITY &amp; TRAFFIC CONTROL</b> |                            |             |               |                        |
| SECURITY SUPERVISOR                   | FULL-TIME EQUIVALENTS      | \$ 19.49    | 1,746         | 34,030                 |
| SECURITY OFFICER                      | FULL-TIME EQUIVALENTS      | \$ 17.53    | 5,856         | 102,680                |
| TRAFFIC CONTROLLERS                   | FULL-TIME EQUIVALENTS      | \$ 10.55    | 324           | 3,420                  |
|                                       | VACATION                   |             |               | 9,553                  |
|                                       | <b>SECURITY TOTALS</b>     |             | <b>7,926</b>  | <b>149,683</b>         |
| <b>GRAND TOTALS</b>                   |                            |             | <b>17,226</b> | <b>361,189</b>         |

Item 12 - File 02-1975

**Department:** Airport

**Item:** Resolution authorizing the Airport Commission to accept and expend five grants totaling \$1,089,000 from the Bay Area Air Quality Management District (BAAQMD) for the Airport Clean Air Vehicle Project, which acquires clean air vehicles for private Airport transportation operators that transport persons to and from the Airport.

**Source of Funds:** Transportation Fund for Clean Air (TFCA), Vehicle Incentive Program (VIP) administered by the Bay Area Air Quality Management District (BAAQMD). TFCA is funded by Bay Area vehicle registration fees.

**Amounts and  
Grant Periods:**

| <u>Grant Title</u>                                                              | <u>Grant Period</u>              | <u># of<br/>Vehicles</u> | <u>Amount</u> |
|---------------------------------------------------------------------------------|----------------------------------|--------------------------|---------------|
| Light Duty <sup>1</sup> Low Mileage<br>Compressed Natural Gas<br>(CNG) Vehicles | January 2002 –<br>January 2004   | 14                       | \$51,000      |
| Light Duty CNG Vehicles<br>Supplemental                                         | July 2002 –<br>July 2004         | 2                        | 9,000         |
| Heavy Duty <sup>1</sup> CNG Vehicles                                            | November 2002 –<br>November 2004 | 31                       | 440,000       |
| Heavy Duty Liquefied<br>Petroleum Gas (LPG) Vehicles                            | November 2002 –<br>November 2004 | 14                       | 490,000       |
| Light Duty Low Mileage CNG<br>Vehicles                                          | November 2002 –<br>November 2004 | <u>22</u>                | <u>99,000</u> |
|                                                                                 | Total                            | 83                       | \$1,089,000   |

**Description:** The Airport Clean Air Vehicle Project is a program to encourage businesses that transport persons to and from the Airport to replace a portion of their gasoline- and diesel-

---

<sup>1</sup> "Light Duty Vehicles" are vehicles that weigh less than 10,000 pounds with cargo. "Heavy Duty Vehicles" are vehicles that weigh 10,000 pounds or more with cargo.

powered vehicles with clean air vehicles, such as Compressed Natural Gas (CNG) vehicles and Liquefied Petroleum Gas (LPG) vehicles. According to Mr. Roger Hooson of the Airport, the proposed five grants are similar to nine other grants previously approved by the Board of Supervisors for the acquisition of clean air vehicles to replace gasoline- and diesel-powered vehicles for private businesses that provide transportation to and from the Airport.

As listed in Attachment I to this report, provided by Mr. Hooson, the proposed five grants would provide a subsidy to private companies for the purchase of 83 clean air vehicles to replace existing gasoline- and diesel-powered vehicles. The funds granted by the BAAQMD and administered by the Airport, would cover the difference in the cost between purchasing the new gasoline- or diesel-powered vehicles and the CNG and LPG vehicles.

**Budget:**

Attachment I to this report, provided by Mr. Hooson, shows the estimated grant fund allocation for the acquisition of 83 clean air vehicles. As stated above, the subsidies are based on the approximate incremental increased costs to the private companies of the clean air vehicles (CNG and LPG fueled) compared to acquiring conventional vehicles (gasoline or diesel fueled).

As shown in Attachment I, these five grants would provide approximately 22.6 percent, or \$1,089,000, of the total estimated cost of \$4,818,000 for the 83 CNG vehicles to be purchased by the participating private businesses listed in Attachment I. The balance of \$3,729,000 would be paid by the 16 participating companies.

**Indirect Costs:**

Indirect costs would be waived by the Airport in order to apply all grant funds to direct program costs.

**Comments:**

1. The Grant Application forms, shown in Attachment II, include Disability Access Checklists. Mr. Hooson states that the Grant Application forms inaccurately identify the grant periods for the following grants: 01-Light Duty Low Mileage, 01-Light Duty Supplemental, and the 02-Light Duty Low Mileage. Mr. Hooson advises that he will resubmit grant application forms for these grants that accurately describe the grant periods.

2. Mr. Hooson advises that all costs under this grant are capital costs, and 100 percent of the funds would be used in each case toward the purchase of the CNG and LPG fueled vehicles. Mr. Hooson further advises that the acceptance of the proposed grant funds would not increase the operating costs of the City and no City funds would be used for the acquisition of the 83 vehicles.

3. The 16 participating private companies, Yellow Cab of San Mateo, Airline Coach Service, California Mini-Bus, Park N Fly, Parking Company of America, SFO Shuttle Bus Company, Doubletree Hotel, SkyPark, Red Roof Inn, Serendipity Land Yachts, Hotel Airport Shuttle, Lorrie's Travel and Tours, Bay Shuttle, East Bay Connection, Hilton Garden Inn, and JNJ Shuttle Service have provided the Airport with letters of intent to participate in the project, and with purchase orders for the specific CNG and LPG vehicles.

4. Mr. Hooson states that the Airport would administer the grants, disburse the grant funds to participating hotels and transportation companies, and monitor the project. According to Mr. Hooson, these duties will be absorbed by an existing Transit Planner IV position.

**Recommendations:** Approve the proposed resolution.

# ATTACHMENT I

## PROPOSED DISTRIBUTION OF GRANT FUNDS AIRPORT BAAQMD GRANT PACKAGE

| Transport Operator              | Vehicle Make | Vehicle Model       | Seats | Base Vehicle Cost (a,b) | Grant Funds Per Vehicle | Subtotal | Vehicles | Total Grant Funds | Total Cost |
|---------------------------------|--------------|---------------------|-------|-------------------------|-------------------------|----------|----------|-------------------|------------|
| GRANT 01-LIGHT DUTY LOW MILEAGE |              |                     |       |                         |                         |          |          |                   |            |
| Yellow Cab of San Mateo         | Ford         | Crown Victoria Taxi | 4     | \$26,000                | \$3,000                 | \$29,000 | 8        | \$24,000          | \$232,000  |
| Yellow Cab of San Mateo         | Ford         | E-350 Van           | 10    | \$27,500                | \$4,500                 | \$32,000 | 2        | \$9,000           | \$64,000   |
| Airline Coach Service           | Ford         | E-350 Van           | 10    | \$27,500                | \$4,500                 | \$32,000 | 4        | \$18,000          | \$128,000  |
| GRANT 01-SUPPLEMENTAL           |              |                     |       |                         |                         |          |          |                   |            |
| California Mini-Bus             | Ford         | E-350 Van           | 10    | \$27,500                | \$4,500                 | \$32,000 | 2        | \$9,000           | \$64,000   |
| GRANT 02-HEAVY DUTY CNG         |              |                     |       |                         |                         |          |          |                   |            |
| Park "N Fly                     | Ford         | E-450               | 17    | \$52,000                | \$13,000                | \$65,000 | 11       | \$143,000         | \$715,000  |
| Parking Company of America      | Ford         | E-450               | 17    | \$52,000                | \$13,000                | \$65,000 | 10       | \$130,000         | \$650,000  |
| Airline Coach Service           | Ford         | E-450               | 17    | \$52,000                | \$13,000                | \$65,000 | 3        | \$39,000          | \$195,000  |
| SFO Shuttle Bus Company         | Ford         | E-450               | 17    | \$52,000                | \$13,000                | \$65,000 | 1        | \$13,000          | \$65,000   |

|                                 |       |           |    |          |          |           |           |                    |                    |
|---------------------------------|-------|-----------|----|----------|----------|-----------|-----------|--------------------|--------------------|
| Doubletree Hotel                | Ford  | E-450     | 17 | \$52,000 | \$13,000 | \$65,000  | 1         | \$13,000           | \$65,000           |
| SkyPark                         | Ford  | E-450     | 17 | \$52,000 | \$13,000 | \$65,000  | 1         | \$13,000           | \$65,000           |
| Red Roof Inn                    | Ford  | E-450     | 17 | \$52,000 | \$13,000 | \$65,000  | 2         | \$26,000           | \$130,000          |
| Serendipity Land Yachts         | Ford  | E-450     | 17 | \$52,000 | \$13,000 | \$65,000  | 1         | \$13,000           | \$65,000           |
| Serendipity Land Yachts         | EI    | REA       | 35 | \$85,000 | \$50,000 | \$135,000 | 1         | \$50,000           | \$135,000          |
| GRANT 02-HEAVY DUTY LPG         |       |           |    |          |          |           |           |                    |                    |
| Hotel Airport Shuttle           | EI    | MST-II    | 28 | \$75,000 | \$35,000 | \$110,000 | 14        | \$490,000          | \$1,540,000        |
| GRANT 02-LIGHT DUTY LOW MILEAGE |       |           |    |          |          |           |           |                    |                    |
| Lorrie's Travel and Tours       | Ford  | E-350 Van | 10 | \$27,500 | \$4,500  | \$32,000  | 10        | \$45,000           | \$320,000          |
| Bay Shuttle                     | Ford  | E-350 Van | 10 | \$27,500 | \$4,500  | \$32,000  | 2         | \$9,000            | \$64,000           |
| East Bay Connection             | Dodge | Ram Van   | 10 | \$28,000 | \$4,500  | \$32,500  | 2         | \$9,000            | \$65,000           |
| Hotel Airport Shuttle           | Ford  | E-350 Van | 10 | \$27,500 | \$4,500  | \$32,000  | 6         | \$27,000           | \$192,000          |
| Hilton Garden Inn               | Ford  | E-350 Van | 10 | \$27,500 | \$4,500  | \$32,000  | 1         | \$4,500            | \$32,000           |
| JNJ Shuttle Service             | Ford  | E-350 Van | 10 | \$27,500 | \$4,500  | \$32,000  | 1         | \$4,500            | \$32,000           |
| <b>TOTAL</b>                    |       |           |    |          |          |           | <b>83</b> | <b>\$1,089,000</b> | <b>\$4,818,000</b> |

(a) Paid in full by third party vehicle operators, not by the City.

(b) Approximates cost of gasoline-powered van.

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

13a. Does the budget include indirect costs?

☐ Yes

☒ No

Attachment II

Page 2 of 10

b1. If yes, how much? \$

b2. How was the amount calculated?

c. If no, why are indirect costs not included?

☐ Not allowed by granting agency

☒ To maximize use of grant funds on direct services

☐ Other (please explain):

14. Any other significant grant requirements or comments:

**\*\*Disability Access Checklist\*\***

15. This Grant is intended for activities at (check all that apply):

☒ Existing Site(s)

☐ Existing Structure(s)

☒ Existing Program(s) or Service(s)

☐ Rehabilitated Site(s)

☐ Rehabilitated Structure(s)

☐ New Program(s) or Service(s)

☐ New Site(s)

☐ New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: *Ron Fong*

Date Reviewed: Sept 26, 02

Department Approval:

Ronald Fong  
(Name)

Assistant ADA Program Manager  
(Title)

[Signature]  
(Signature)

File Number: \_\_\_\_\_  
(Provided by Clerk of Board of Supervisors)

**Grant Information Form**

(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: *BAAQMD Grant 01-Light Duty Supplemental*

2. Department: *Airport Commission*

3. Contact Person: *Roger Hooson*

Telephone: (650) 821-6511

4. Grant Approval Status (check one):

☒ Approved by funding agency

☐ Not yet approved

5. Amount of Grant Funding Approved or Applied for: \$ *9,000*

6a. Matching Funds Required: \$ *None*

b. Source(s) of matching funds (if applicable):

7a. Grant Source Agency: *Bay Area Air Quality Management District*

b. Grant Pass-Through Agency (if applicable):

8. Proposed Grant Project Summary:

*One San Francisco International Airport door-to-door van operator will acquire a total of 2 vans. both dedicated natural gas.*

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: *7/02*

End-Date: *12/02*

10. Number of new positions created and funded: *None*

11. If new positions are created, explain the disposition of employees once the grant ends? *N/A*

12a. Amount budgeted for contractual services: *None*

b. Will contractual services be put out to bid? *N/A*

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? *N/A*

d. Is this likely to be a one-time or ongoing request for contracting out? *N/A*

13a. Does the budget include indirect costs?

☐ Yes

☒ No

Attachment II

Page 4 of 10

b1. If yes, how much? \$

b2. How was the amount calculated?

c. If no, why are indirect costs not included?

☐ Not allowed by granting agency

☒ To maximize use of grant funds on direct services

☐ Other (please explain):

14. Any other significant grant requirements or comments:

**\*\*Disability Access Checklist\*\*\***

15. This Grant is intended for activities at (check all that apply):

☒ Existing Site(s)

☐ Existing Structure(s)

☒ Existing Program(s) or Service(s)

☐ Rehabilitated Site(s)

☐ Rehabilitated Structure(s)

☐ New Program(s) or Service(s)

☐ New Site(s)

☐ New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: *Ron Fong*

Date Reviewed: Sept 26 02

Department Approval:

Ronald Fong  
(Name)

Angela ADA Program Manager  
(Title)

*Ronald Fong*  
(Signature)

**Grant Information Form**  
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: *BAAQMD Grant 02-Heavy Duty CNG*

2. Department: *Airport Commission*

3. Contact Person: *Roger Hooson*

Telephone: *(650) 821-6511*

4. Grant Approval Status (check one):

☐ Approved by funding agency

☒ Not yet approved

5. Amount of Grant Funding Approved or Applied for: \$ *440,000*

6a. Matching Funds Required: \$ *None*

b. Source(s) of matching funds (if applicable):

7a. Grant Source Agency: *Bay Area Air Quality Management District*

b. Grant Pass-Through Agency (if applicable):

8. Proposed Grant Project Summary:

*Three San Francisco International Airport off-Airport parking operators, 3 SFIA hotel courtesy shuttle operators, 1 crew shuttle operator, and 1 scheduled airporter operator will acquire a total of 30 cutaway minibuses and 1 mid-size bus, all dedicated natural gas.*

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: *11/02*

End-Date: *11/04*

10. Number of new positions created and funded: *None*

11. If new positions are created, explain the disposition of employees once the grant ends? *N/A*

12a. Amount budgeted for contractual services: *None*

b. Will contractual services be put out to bid? *N/A*

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? *N/A*

d. Is this likely to be a one-time or ongoing request for contracting out? *N/A*

13a. Does the budget include indirect costs?

☐ Yes

☒ No

Attachment II

Page 6 of 10

b1. If yes, how much? \$

b2. How was the amount calculated?

c. If no, why are indirect costs not included?

☐ Not allowed by granting agency

☒ To maximize use of grant funds on direct services

☐ Other (please explain):

14. Any other significant grant requirements or comments:

**\*\*Disability Access Checklist\*\*\***

15. This Grant is intended for activities at (check all that apply):

☒ Existing Site(s)

☐ Existing Structure(s)

☒ Existing Program(s) or Service(s)

☐ Rehabilitated Site(s)

☐ Rehabilitated Structure(s)

☐ New Program(s) or Service(s)

☐ New Site(s)

☐ New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: *Ron Fong*

Date Reviewed: Sept 26, 02

Department Approval:

Ronald Fong  
(Name)

Assistant ADA Program Manager  
(Title)

*Ronald Fong*  
(Signature)

**Grant Information Form**  
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: *BAAQMD Grant 02-Heavy Duty LPG*

2. Department: *Airport Commission*

3. Contact Person: *Roger Hooson*

Telephone: *(650) 821-6511*

4. Grant Approval Status (check one):

☐ Approved by funding agency

☒ Not yet approved

5. Amount of Grant Funding Approved or Applied for: \$ *490,000*

6a. Matching Funds Required: \$ *None*

b. Source(s) of matching funds (if applicable):

7a. Grant Source Agency: *Bay Area Air Quality Management District*

b. Grant Pass-Through Agency (if applicable):

8. Proposed Grant Project Summary:

*The major San Francisco International Airport hotel courtesy shuttle contractor will acquire a total of 14 mid-size buses, all dedicated propane.*

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: *11/02*

End-Date: *11/04*

10. Number of new positions created and funded: *None*

11. If new positions are created, explain the disposition of employees once the grant ends? *N/A*

12a. Amount budgeted for contractual services: *None*

b. Will contractual services be put out to bid? *N/A*

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? *N/A*

d. Is this likely to be a one-time or ongoing request for contracting out? *N/A*

13a. Does the budget include indirect costs?

☐ Yes

☒ No

Attachment II

Page 8 of 10

b1. If yes, how much? \$

b2. How was the amount calculated?

c. If no, why are indirect costs not included?

☐ Not allowed by granting agency

☒ To maximize use of grant funds on direct services

☐ Other (please explain):

14. Any other significant grant requirements or comments:

**\*\*Disability Access Checklist\*\***

15. This Grant is intended for activities at (check all that apply):

☒ Existing Site(s)

☐ Existing Structure(s)

☒ Existing Program(s) or Service(s)

☐ Rehabilitated Site(s)

☐ Rehabilitated Structure(s)

☐ New Program(s) or Service(s)

☐ New Site(s)

☐ New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

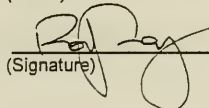
Departmental or Mayor's Office of Disability Reviewer: *Ron Fong*

Date Reviewed: Sept 26, 02

Department Approval:

Ronald Fong  
(Name)

Assistant ADA Program Manager  
(Title)

  
(Signature)

**Grant Information Form**  
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

- 1. Grant Title: *BAAQMD Grant 02-Light Duty Low Mileage*
- 2. Department: *Airport Commission*
- 3. Contact Person: *Roger Hooson* Telephone: *(650) 821-6511*
- 4. Grant Approval Status (check one):

☐ Approved by funding agency ☒ Not yet approved

5. Amount of Grant Funding Approved or Applied for: \$ *99,000*

- 6a. Matching Funds Required: \$ *None*
- b. Source(s) of matching funds (if applicable):

- 7a. Grant Source Agency: *Bay Area Air Quality Management District*
- b. Grant Pass-Through Agency (if applicable):

8. Proposed Grant Project Summary:

*Three San Francisco International Airport door-to-door van firms, and 3 hotel courtesy shuttle operators will acquire a total of 22 vans, all dedicated natural gas.*

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: *11/02* End-Date: *11/03*

10. Number of new positions created and funded: *None*

11. If new positions are created, explain the disposition of employees once the grant ends? *N/A*

12a. Amount budgeted for contractual services: *None*

- b. Will contractual services be put out to bid? *N/A*
- c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? *N/A*
- d. Is this likely to be a one-time or ongoing request for contracting out? *N/A*

13a Does the budget include indirect costs?

[ ] Yes

[x] No

Attachment II

Page 10 of 10

b1. If yes, how much? \$

b2. How was the amount calculated?

c. If no, why are indirect costs not included?

[ ] Not allowed by granting agency

[x] To maximize use of grant funds on direct services

[ ] Other (please explain):

14. Any other significant grant requirements or comments:

**\*\*Disability Access Checklist\*\***

15. This Grant is intended for activities at (check all that apply):

[x] Existing Site(s)

[ ] Existing Structure(s)

[x] Existing Program(s) or Service(s)

[ ] Rehabilitated Site(s)

[ ] Rehabilitated Structure(s)

[ ] New Program(s) or Service(s)

[ ] New Site(s)

[ ] New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: *Ron Fong*

Date Reviewed: Sept 26, 02

Department Approval:

Ronald Fong  
(Name)

Assistant ADA Program Manager  
(Title)

(Signature)

Item 13 – File 02-1939

**Department:** Department of Parking and Traffic (DPT)

**Item:** Resolution authorizing a six-month extension to an existing grant agreement between the City and County of San Francisco and City CarShare, a nonprofit organization.

**Grant Period:** Six-month extension from January 1, 2003 to June 30, 2003 to a Grant Agreement, which expires on December 31, 2002.

**Description:** On November 20, 2000, the Board of Supervisors authorized the Executive Director of the Department of Parking and Traffic (DPT), a Department now under the Municipal Transportation Authority, to enter into a grant agreement with City CarShare, a nonprofit organization. Under this proposed six month extension to the agreement, through June 30, 2003, the DPT will continue to provide City CarShare with 31 parking spaces free of charge in nine City-owned garages for City CarShare vehicles. Under the existing agreement which expires on December 31, 2002, the DPT acts as the financial intermediary in the administration of the previously awarded \$742,000 FHWA grant, for the City CarShare Program.

The City CarShare Program is a neighborhood-based transportation program, operated by City CarShare, a nonprofit organization, and is designed to reduce the number of vehicles in an urban area. Members of the City CarShare Program, which began operation in March of 2001, can rent a vehicle from City CarShare's fleet of 60 vehicles on an as-needed basis. Individuals, businesses, nonprofit organizations and government offices can become a member of the City CarShare Program.<sup>1</sup> Attachment I to this report, provided by Ms. Elizabeth Sullivan of City CarShare, lists the number of current City CarShare members and the number of vehicles owned by City CarShare. According to Ms. Sullivan of

---

<sup>1</sup> Members of the City CarShare Program pay City CarShare, a nonprofit organization, (a) a \$300 one-time refundable damage deposit, (b) a \$10 monthly administrative fee, (c) and an hourly use fee of \$3.50, capped at ten hours or \$35 per day, and (d) a per mile charge of \$.37.

City CarShare, City CarShare currently serves approximately 2,100 members with 60 vehicles in locations throughout San Francisco. Ms. Sullivan states that the City provides 31 parking space in nine City owned garages and City CarShare contracts with other non-city garages, for 29 additional parking spaces.

**Comments:**

1. According to Ms. Diana Hammons of DPT, the loss of revenue to the City from providing the 31 parking spaces free of charge is approximately \$3,170 monthly or \$38,040 annually. As shown in Attachment II, the proposed six-month extension to the January 1, 2001 Grant Agreement would therefore result in a continued loss of parking garage revenue to the City of approximately \$19,020 (\$3,170 monthly cost x 6 months equals \$19,020).

2. Ms. Hammons notes that the terms of the January 1, 2001 Grant Agreement provided that DPT act as the financial intermediary in the administration of the \$742,000 FHWA grant from January 1, 2001 through December 31, 2002. Ms. Hammons advises that the \$742,000 in grant funds have been fully expended and therefore, the DPT will not continue to serve as the financial intermediary. According to Ms. Hammons, the proposed six-month grant extension would authorize the City to continue to provide the 31 parking spaces in the nine City owned garages free of charge.

**Recommendation:**

Approval of the proposed resolution is a policy matter for the Board of Supervisors.

Attachment I**MEMO**

**TO: Elaine Forbes, Budget Analyst's Office**  
**FROM: Elizabeth Sullivan, Executive Director**  
**DATE: 12/11/02**  
**RE: Description of City CarShare**

As of December 11, 2002, City CarShare currently leases and operates a fleet of 60 vehicles in the city of San Francisco.

Our membership totals 2,100 people.

Costs for Existing *City Carshare* Program Vehicles in City Garages

|                     | Number of<br>Vehicles | Cost Per Month<br>(Proposed<br>Carsharing Rate) | Six-Month<br>Cost |
|---------------------|-----------------------|-------------------------------------------------|-------------------|
| 5th and Mission     | 6                     | \$600                                           | \$3,600           |
| Mission/Bartlett    | 5                     | \$250                                           | \$1,500           |
| Golden Gateway      | 3                     | \$525                                           | \$3,150           |
| Performing Arts     | 3                     | \$225                                           | \$1,350           |
| Vallejo Street      | 4                     | \$600                                           | \$3,600           |
| St. Mary's Square   | 3                     | \$540                                           | \$3,240           |
| SFGH                | 3                     | \$180                                           | \$1,080           |
| 16th & Hoff Street  | 2                     | \$100                                           | \$600             |
| Civic Center Garage | 2                     | \$150                                           | \$900             |
| TOTAL               | 31                    | \$3,170                                         | \$19,020          |

Source: DPT, December 10, 2002.

Item 14 - File 02-1978

**Department:** Department of Public Health (DPH)

**Item:** Resolution authorizing adoption of the County Description of Proposed Expenditure of California Healthcare for Indigents Program (CHIP) funds for Fiscal Year 2002-03, and authorizing the President of the Board of Supervisors, or the duly authorized representative of the Board of Supervisors of the City and County of San Francisco, to certify the County Description of Proposed Expenditure of CHIP funds for FY 2002-2003.

**Amount:** \$3,950,687

**Source of Funds:** California Healthcare for Indigents Program (CHIP)

**Description:** The State Department of Health Services established the California Healthcare for Indigents Program (CHIP) in 1989 to provide funds to California counties to pay for medical services for indigent persons who are not eligible for other private or public health care programs. CHIP is funded by Proposition 99 (Tobacco Tax) money. California counties use CHIP funds to reimburse both County and non-County providers for uncompensated services for indigent persons who are not able to otherwise pay for the cost of such health services.

CHIP funds are used to reimburse (a) participating County and non-County hospitals for inpatient, outpatient, and emergency services, (b) participating private physicians for emergency, obstetric and pediatric services provided to indigent persons and (c) other discretionary health services.

State regulations require that the County submit to the State, on an annual basis, a description of the County's proposed expenditures of CHIP funds, and that the President of the Board of Supervisors, or the Board of Supervisors duly authorized representative, certify the subject expenditure description.

The proposed resolution would authorize the adoption of the County Description of Proposed Expenditure of the

California Healthcare for Indigents Program (CHIP) funds for FY 2002-2003 and authorize the President of the Board, or the Board's duly authorized representative, to certify the County Description of Proposed Expenditure for the FY 2002-2003 CHIP Funds.

**Proposed  
Expenditures of  
CHIP Funds:**

The allocation of the CHIP funds for FY 2002-2003 is as follows:

|                                         |               |                    |
|-----------------------------------------|---------------|--------------------|
| County Hospital Funds                   |               | \$3,007,890        |
| Non-County Hospital Funds               |               |                    |
| Non-County Hospital Formula Funds       | \$80,584      |                    |
| Non-County Hospital Discretionary Funds | <u>80,584</u> |                    |
| <i>Subtotal</i>                         |               | 161,168            |
| Other Health Services Funds             |               | <u>781,629</u>     |
| <b>Total CHIP Funds</b>                 |               | <b>\$3,950,687</b> |

**Comments:** 1. As shown in the Attachment provided by the DPH, the CHIP allocation by each category noted above, is as follows:

County Hospital Funds

DPH has allocated \$3,007,890 of County Hospital Funds for indigent services at San Francisco General Hospital (SFGH), the Child Health and Disability Prevention (CHDP) services at SFGH, and administrative costs as follows:

|                                                |                    |
|------------------------------------------------|--------------------|
| San Francisco General Hospital (SFGH) Services | \$2,460,524        |
| Child Health and Disability Prevention (CHDP)  |                    |
| Services at SFGH                               | 118,523            |
| DPH Administrative Costs                       | <u>428,843</u>     |
| <b>Total County Hospital Funds</b>             | <b>\$3,007,890</b> |

Non-County Hospital Funds

DPH has allocated \$161,168 to the Non-County Hospital Fund, including \$80,584, or 50 percent, to six local non-County hospitals (California Pacific Medical Center, Chinese Hospital, University of California at San Francisco Medical Center, St. Francis Hospital, St. Luke's

Hospital and St. Mary's Hospital), based on the State's mandated formula, and \$80,584, or 50 percent, to reimburse these same six local non-County hospitals on a discretionary basis.

|                                        |              |                  |
|----------------------------------------|--------------|------------------|
| State-mandated Funds                   |              | \$80,584         |
| Discretionary Funds                    |              |                  |
| Hospital Reimbursement                 | 71,720       |                  |
| Professional Services Contract         | <u>8,864</u> |                  |
| Subtotal Discretionary Funds           |              | <u>80,584</u>    |
| <b>Total Non-County Hospital Funds</b> |              | <b>\$161,168</b> |

Mr. Jeffrey Leong of DPH states that DPH has an existing professional services contract with Lifemark, Incorporated, to process medical claims for reimbursement to private hospitals. Mr. Leong advises that Lifemark reviews claims for verification of services rendered and subsequently issues payment to the private hospitals from the CHIP Non-County Hospital Funds allocation.

#### Other Health Services Funds

DPH has allocated \$781,629 for other health services, including reimbursements for indigent services at SFGH and Child Health and Disability Prevention (CHDP) services at SFGH, and administrative costs.

|                                          |                  |
|------------------------------------------|------------------|
| SFGH                                     | \$692,195        |
| CHDP                                     | 14,273           |
| DPH Administrative Costs                 | <u>75,161</u>    |
| <b>Total Other Health Services Funds</b> | <b>\$781,629</b> |

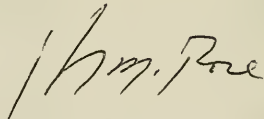
Mr. Leong advises that the Other Health Services Funds are allocated as discretionary funds for medical services provided to indigents at the San Francisco General Hospital in the same manner as the County Hospital Funds. However the State Department of Health Services distributes the funds under both the County Hospital Funds category and the Other Health Services Funds category.

Memo to Finance Committee  
December 18, 2002 Finance Committee Meeting

According to Mr. Leong, the final total State allocation to San Francisco for FY 2002-2003 is \$3,950,687, which is \$185,769, or approximately 4.5 percent, less than the previously authorized amount of \$4,136,456 for FY 2002-2003.

2. The Board of Supervisors approved total CHIP Fund expenditures of \$4,136,456 in the DPH's FY 2002-2003 budget. In September of 2002, the Board of Supervisors authorized DPH to accept and expend up to \$4,136,456 in CHIP funds (File 02-1533). Mr. Leong states that the reduction in the State allocation of CHIP funds resulted from changes in the California FY 2002-2003 budget that diverted Tobacco Tax funds from the CHIP-funded County services. In response to the Budget Analyst's inquiries regarding the State's potential reductions in the FY 2002-2003 CHIP Fund allocations to San Francisco Mr. Leong advises that the State Department of Health Services has the option of making further changes to the \$3,950,687 allocation before the end of the current fiscal year. However, Mr. Leong also advises that the State Department of Health Services, the Governor and the Legislature, are unlikely to make any additional changes. Mr. Leong advises that the \$185,769 reduction in the CHIP allocation to San Francisco will be offset by a service reduction and will not result in increased General Fund contributions to DPH for FY 2002-2003.

**Recommendation:** Approve the proposed resolution.



Harvey M. Rose

cc: Supervisor Peskin  
Supervisor Daly  
Supervisor Maxwell  
Clerk of the Board  
Controller  
Ben Rosenfield  
Ted Lakey

**COUNTY OF San Francisco**  
**FY 2002-03 DESCRIPTION OF PROPOSED EXPENDITURES**  
**OF CHIP/RHS PROGRAM FUNDS**  
**HOSPITAL SERVICES FUND DETAIL SHEET**

**COUNTY HOSPITAL FUNDS**

|                                    |             |
|------------------------------------|-------------|
| County Hospital Allocation         | \$3,007,890 |
| Interest Carryover from Prior Year |             |
| Projected Interest for FY 2002-03  |             |
| Total                              | \$3,007,890 |

**Proposed Expenditures for Services**

|             |      |             |
|-------------|------|-------------|
| HCHCHIPSVCS | SFGH | \$2,460,524 |
|             |      |             |
|             |      |             |
|             |      |             |
|             |      |             |
|             |      |             |
|             |      |             |
|             |      |             |
|             |      |             |
|             |      |             |

**Proposed Expenditures for Administrative Costs**

|              |                |           |
|--------------|----------------|-----------|
| HCHCHIPADMIN | CHS            | \$426,525 |
| HCHCHIPADMIN | CHS (overhead) | 2,318     |
|              |                |           |
|              |                |           |

**Proposed Expenditures for CHDP Treatment Services**  
 (Expenditures should be reported on CHDP Detail Sheet)

|              |      |           |
|--------------|------|-----------|
| HCHCHIPADMIN | SFGH | \$118,523 |
|              |      |           |
|              |      |           |

|                                                            |             |
|------------------------------------------------------------|-------------|
| Total - Proposed Expenditures for Services, Admin and CHDP | \$3,007,890 |
|------------------------------------------------------------|-------------|

## NONCOUNTY HOSPITAL FORMULA FUNDS

| Revenue                               | Amounts  |
|---------------------------------------|----------|
| Noncounty Hospital Formula Allocation | \$80,584 |
| Interest Carryover from Prior Year    |          |
| Projected Interest for FY 2002-03     |          |
| Total                                 | \$80,584 |

### Proposed Expenditures for Services

[illegible]

|                                            |          |
|--------------------------------------------|----------|
| Total - Proposed Expenditures for Services | \$80,584 |
|--------------------------------------------|----------|

**COUNTY OF San Francisco**  
**FY 2002-03 DESCRIPTION OF PROPOSED EXPENDITURES**  
**OF CHIP/RHS PROGRAM FUNDS**  
**HOSPITAL SERVICES FUND DETAIL SHEET**

**NONCOUNTY HOSPITAL DISCRETIONARY FUNDS**

| Revenue                                     | Amounts  |
|---------------------------------------------|----------|
| Noncounty Hospital Discretionary Allocation | \$80,584 |
| Interest Carryover from Prior Year          |          |
| Projected Interest for FY 2002-03           |          |
| Total                                       | \$80,584 |

**Proposed Expenditures for Services**

| Budget Unit # | Title              | Amounts  |
|---------------|--------------------|----------|
| HCHCHIPSVCS   | Medical Svcs. Cts. | \$71,720 |
|               |                    |          |
|               |                    |          |
|               |                    |          |
|               |                    |          |
|               |                    |          |
|               |                    |          |
|               |                    |          |

**Proposed Expenditures for Administrative Costs**

| Budget Unit # | Title              | Amounts |
|---------------|--------------------|---------|
| HCHCHIPSVCS   | Professional Svcs. | \$8,864 |
|               |                    |         |
|               |                    |         |

**Proposed Expenditures for CHDP Treatment Services**  
(Expenditures should be reported on CHDP Detail Sheet)

| Budget Unit # | Title | Amounts |
|---------------|-------|---------|
|               |       |         |
|               |       |         |
|               |       |         |

|                                                                   |                 |
|-------------------------------------------------------------------|-----------------|
| <b>Total - Proposed Expenditures for Services, Admin and CHDP</b> | <b>\$80,584</b> |
|-------------------------------------------------------------------|-----------------|

COUNTY OF San Francisco  
FY 2002-03 DESCRIPTION OF PROPOSED EXPENDITURES  
OF CHIP/RHS PROGRAM FUNDS  
PHYSICIAN SERVICES FUND DETAIL SHEET

## EMERGENCY MEDICAL SERVICES (EMS) FUNDS

| Revenue                            | Amounts |
|------------------------------------|---------|
| PSA - EMS Allocation               | \$0.00  |
| Interest Carryover from Prior Year |         |
| Projected Interest for FY 2002-03  |         |
| Total                              | \$0.00  |

### Proposed Expenditures for Services

[illegible]

### Proposed Expenditures for Administrative Costs

(Administrative Costs cannot exceed 10% of PSA)

| Budget Unit # | Title              | Amounts |
|---------------|--------------------|---------|
| HCHCHIPSVCS   | Professional Svcs. | \$0.00  |
|               |                    |         |
|               |                    |         |

|                                                             |        |
|-------------------------------------------------------------|--------|
| Total - Proposed Expenditures for Services and Admin. Costs | \$0.00 |
|-------------------------------------------------------------|--------|

COUNTY OF San Francisco  
FY 2002-03 DESCRIPTION OF PROPOSED EXPENDITURES  
OF CHIP/RHS PROGRAM FUNDS  
PHYSICIAN SERVICES FUND DETAIL SHEET

**NEW CONTRACT FUNDS**

| Revenue                                                                                     | Amounts |
|---------------------------------------------------------------------------------------------|---------|
| PSA - New Contract Allocation (Not to exceed 50% of the total PSA. For CHIP counties only.) | \$0.00  |
| Interest Carryover from Prior Year                                                          |         |
| Projected Interest for FY 2002-03                                                           |         |
| Total                                                                                       | \$0.00  |

**Proposed Expenditures for Obstetric Services**

| Budget Unit # | Title | Amounts |
|---------------|-------|---------|
|               |       |         |
|               |       |         |
|               |       |         |

**Proposed Expenditures for Pediatric Services**

| Budget Unit # | Title | Amounts |
|---------------|-------|---------|
|               |       |         |
|               |       |         |
|               |       |         |

**Proposed Expenditures for Emergency Services**

| Budget Unit # | Title              | Amounts |
|---------------|--------------------|---------|
| HCHCHIPSVCS   | Medical Svcs. Cts. | \$0.00  |
|               |                    |         |
|               |                    |         |

**Proposed Expenditures for Administrative Costs**

(Administrative Costs cannot exceed 10% of PSA)

| Budget Unit # | Title              | Amounts |
|---------------|--------------------|---------|
| HCHCHIPSVCS   | Professional Svcs. | \$0.00  |
|               |                    |         |
|               |                    |         |

**Proposed Expenditures for CHDP Treatment Services**

(Expenditures should be reported on CHDP Detail Sheet)

| Budget Unit # | Title              | Amounts |
|---------------|--------------------|---------|
| HCHCHIPSVCS   | Medical Svcs. Cts. | \$0.00  |
|               |                    |         |
|               |                    |         |

|                                                                   |               |
|-------------------------------------------------------------------|---------------|
| <b>Total - Proposed Expenditures for Services, Admin and CHDP</b> | <b>\$0.00</b> |
|-------------------------------------------------------------------|---------------|

COUNTY OF San Francisco  
FY 2002-03 DESCRIPTION OF PROPOSED EXPENDITURES  
OF CHIP/RHS PROGRAM FUNDS  
OTHER HEALTH SERVICES (OHS) FUND DETAIL SHEET

| Revenue                            | Amounts   |
|------------------------------------|-----------|
| OHS Allocation                     | \$781,629 |
| Interest Carryover from Prior Year |           |
| Projected Interest for FY 2002-03  |           |
| Total                              | \$781,629 |

Proposed Expenditures for Services

| Budget Unit # | Title | Amounts   |
|---------------|-------|-----------|
| HCHCHIPSVCS   | SFGH  | \$692,195 |
|               |       |           |
|               |       |           |
|               |       |           |
|               |       |           |
|               |       |           |
|               |       |           |
|               |       |           |
|               |       |           |

Proposed Expenditures for Administrative Costs

| Budget Unit # | Title          | Amounts  |
|---------------|----------------|----------|
| HCHCHIPSVCS   | CHS (overhead) | \$75,161 |
|               |                |          |
|               |                |          |
|               |                |          |

Proposed Expenditures for Equipment

(Up to 5% or \$50,000 of funds received. No single purchase may exceed \$10,000.)

| Budget Unit # | Title | Amounts |
|---------------|-------|---------|
|               |       |         |
|               |       |         |
|               |       |         |
|               |       |         |

Proposed Expenditures for CHDP Treatment Services

(Expenditures should be reported on CHDP Detail Sheet)

| Budget Unit # | Title | Amounts  |
|---------------|-------|----------|
| HCHCHIPSVCS   | SFGH  | \$14,233 |
|               |       |          |
|               |       |          |

|                                                                         |           |
|-------------------------------------------------------------------------|-----------|
| Total - Proposed Expenditures for Services, Admin., Equipment, and CHDP | \$781,629 |
|-------------------------------------------------------------------------|-----------|

0.25  
5/03  
CITY AND COUNTY



OF SAN FRANCISCO [Budget Analyst Report]

Susan Hom

Main Library-Govt. Doc. Section

## BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642

FAX (415) 252-0461

REVISED

January 9, 2002

TO: Finance Committee

DOCUMENTS DEPT.

FROM: Budget Analyst

JAN 15 2003

SUBJECT: January 15, 2002<sup>3</sup> Finance Committee Meeting

SAN FRANCISCO  
PUBLIC LIBRARY

Item 1 - Files 02-1219

**Note:** At the November 26, 2002 Finance Committee Meeting, an Amendment of the Whole for File 02-1219 was submitted to the Finance Committee and the item was continued to the January 15, 2003 meeting pending submission by the Treasurer/Tax Collector of a supplemental appropriation ordinance to implement the Business Tax Penalty Amnesty Program (see companion Item 2 File 02-2029).

**Department:** Treasurer/Tax Collector

**Item:** Ordinance amending the Business and Tax Regulations Code to: (1) amend Article 6 Sections 6.17-1 through 6.17-4 to increase penalties imposed upon businesses who fail to: (a) pay the Payroll Tax or the Gross Receipts Tax owed to the City, or (b) file a business tax return or who file a business tax return subsequent to the City's due dates, and (2) amend Article 17 Sections 1700 through 1707 to establish a Business Tax Penalty Amnesty Program during Fiscal Year 2002-2003 for penalties owed to the City on delinquent annual Business Registration Certificate fees and on delinquent Payroll Tax and Gross Receipts Tax for tax periods ending on or before December 31, 2001.

**Description:** Prior to January 1, 2000, firms doing business in the City were required to pay the City either the Payroll Tax or the Gross Receipts Tax, whichever was higher, as an

excise tax for engaging in business in the City. The City currently imposes only the Payroll Tax on firms engaged in business in the City since the Gross Receipts Tax was repealed on January 1, 2000 (Ordinance No. 63-01). The proposed ordinance would apply to penalties on both the Payroll Tax and the Gross Receipts Tax, depending on the tax periods for which the penalty applies.

In addition to paying business taxes, firms engaging in business in the City must obtain an annual Business Registration Certificate from the Office of the Treasurer/Tax Collector's Office. Business Registration Certificate fees and business taxes are remitted to the City's General Fund. Businesses that (a) fail to obtain an annual Business Registration Certificate or fail to obtain their Business Registration Certificate by the Certificate's due date, (b) fail to file a business tax return or file such returns subsequent to the City's due dates, or (c) fail to pay their business taxes owed to the City, are subject to penalties as set forth in Article 6 Sections 6.17-1 through 6.17-4 of the Business and Tax Regulations Code.

The proposed ordinance would amend the Business and Tax Regulations Code as follows:

- Amend Section 6.17-1 to increase the penalty for failure to pay the required business taxes. Under current law, businesses are subject to penalties of 5% of the amount of the delinquent taxes for each month or fraction of the month from the time the tax becomes delinquent until paid, not to exceed 20% in the aggregate. Under the proposed ordinance, the not-to-exceed penalty would increase from 20% of the amount of delinquent taxes to 25% of the amount of the delinquent taxes. In addition, the proposed ordinance would amend Section 6.17-1 to increase the additional penalty for failure to pay any business taxes for a period of 90 days after notification by the Tax Collector's Office that the tax is delinquent, from the current flat penalty of 20% of the amount of the delinquent taxes to a flat penalty of 25% of the amount of the delinquent taxes.
- Amend Section 6.17-2 to increase the penalty for underreported business taxes. Under current law, businesses are subject to penalties of 5% of the amount

of the underreported tax for each month or fraction of the month from the time the tax becomes delinquent until paid, not to exceed 20% in the aggregate. Under the proposed ordinance, the not-to-exceed penalty would increase from 20% of the amount of delinquent taxes to 25% of the amount of the delinquent taxes.

- Amend Section 6.17-3 to increase the penalty for failure to file a business tax return that is required by the Business and Tax Regulations Code from the current penalty of \$100 to \$250 for each such failure to file.
- Amend Section 6.17-4 to add a provision stating that, during the proposed amnesty period (see below), for any business that applies for and receives a waiver of penalties under the proposed Business Tax Penalty Amnesty Program, the Tax Collector may not waive or otherwise reduce interest for the period or periods covered by the business' amnesty application. Under the current and proposed amended Business and Tax Regulations Code, interest accrues at the rate of one percent per month, or fraction of a month, from the date that business taxes become delinquent.
- Amend Article 17 to establish a Business Tax Penalty Amnesty Program in Fiscal Year 2002-2003. Under the proposed ordinance, the Tax Collector would designate by February 1, 2003 a 60-day amnesty application period to begin on or after March 1, 2003 and to conclude on or before June 30, 2003, during which time the Tax Collector would accept applications to participate in the Business Tax Penalty Amnesty Program for Fiscal Year 2002-2003. According to Mr. George Putris of the Treasurer/Tax Collector's Office the last such Business Tax Penalty Amnesty Program approved by the Board of Supervisors was in FY 1994-1995.
- Adds Section 1700.5 to include a Statement of Intent regarding future Business Tax Penalty Amnesty Programs to state that it is the intent of the Board of Supervisors that future amnesty programs could not take place for at least five years following the conclusion of the proposed amnesty period.

Liabilities that would be forgiven under the proposed Business Tax Penalty Amnesty Program as set forth in

the proposed amended Article 17 of the Business and Tax Regulations Code include penalties owed for failure to pay annual Business Registration Certificate fees, penalties owed for failure to file a business tax return or for filing late, and penalties owed for failure to pay business taxes for tax periods ending on or before December 31, 2001. According to Mr. Dorji Roberts of the City Attorney's Office, under the proposed ordinance, a penalty for failure to file a business tax return on a timely basis, resulting in any loss or partial loss of eligibility for the Small Business Exemption would be deemed a penalty subject to waiver under the proposed Business Tax Amnesty Program.<sup>1</sup>

Liabilities that would not be forgiven under the proposed Business Tax Penalty Amnesty Program include unpaid Business Registration Certificate fees, unpaid business taxes, accrued interest on delinquent taxes, penalties owed as a result of a jeopardy determination<sup>2</sup> that has become final prior to the 60-day amnesty application period, penalties paid prior to the amnesty period, and penalties owed which are related to any determination under administrative review, or penalties owed that are included in any civil tax collection litigation commenced by the Tax Collector, prior to the 60-day amnesty application period.

To qualify for the Business Tax Penalty Amnesty Program, a business must: (a) file completed business tax returns for all periods for which the business has not previously filed a business tax return or not filed an amended business tax return for all periods for which the business underreported taxes owed to the City, (b) pay in full all business taxes and interest due to the City, and (c) execute a written waiver of the business' rights to seek a refund of the amounts paid to the Tax Collector for all periods for which the business submits a tax penalty

---

<sup>1</sup> According to Mr. Roberts, if a business owes \$2,500 or less in payroll taxes to the City and files a timely business tax return, then the business is exempt from payment of the tax under the Small Business Exemption. If a business fails to file a business tax return on time, even though the business owes \$2,500 or less in payroll taxes, the business would still be subject to penalties. Depending on the year at issue, the business would either lose its Small Business Exemption status entirely, or be subject to a graduated penalty according to Mr. Roberts. Such penalties would be subject to waiver under the proposed Business Tax Penalty Amnesty Program.

<sup>2</sup> Mr. Mark Buckley of the Treasurer/Tax Collector's Office explains that a jeopardy determination is when the timeline for payment of taxes is expedited due to the potential flight risk of the taxpayer.

amnesty application under the proposed Business Tax Penalty Amnesty Program. The proposed ordinance requires that when a business qualifies to participate in the proposed Business Tax Penalty Amnesty Program, and that business enters into an installment payment agreement with the City to repay in full over time its delinquent business taxes, related interest, and/or fees, then the business must pay upfront 50 percent of the outstanding balance due to the City.

If a business qualifies to participate in the Business Tax Penalty Amnesty Program, the Tax Collector shall: (a) waive all penalties for failure to pay annual Business Registration Certificate fees or failure to file a business tax return, (b) waive all penalties for delinquent business taxes, (c) refrain from initiating proceedings to suspend or revoke the Business Registration Certificate previously issued to the business, and (d) refrain from initiating any civil action against the business for the tax periods for which the tax penalty amnesty is granted.

**Comments:**

1. The Attachment is a memorandum from Mr. Putris showing the results of the last 1995 Amnesty Program. According to Mr. Putris, the 1995 Business Tax Penalty Amnesty Program was effective from December 1, 1994 to January 31, 1995. The Attachment shows that as a result of the 1995 Business Tax Penalty Amnesty Program, the City realized \$4,949,336 in delinquent Business Registration Certificate fees and business taxes offset by additional City costs of \$770,952, for a net revenue gain to the City of \$4,178,384. Mr. Putris reports in the Attachment that "the aggregate amount of penalties waived in connection with the 1995 Amnesty Program were not recorded at the time and cannot easily be determined now." The Treasurer/Tax Collector's Office has no information on the amount of revenue forgone by the City under the 1995 Amnesty Program, representing penalties on the delinquent taxes and Business Registration Certificate fees.

2. Mr. Putris states in the Attachment, "If all delinquent taxpayers with collectable accounts availed themselves of the proposed Business Tax Penalty Amnesty Program, the

total amount of outstanding penalties subject to forgiveness would be \$12,466,561.”

3. The Treasurer/Tax Collector's Office is requesting a supplemental appropriation (see Item 2, File 02-2029) of \$998,992 for FY 2002-03 to cover the costs of staff time and related costs that would be required to process applications for the Business Tax Penalty Amnesty Program should this proposed ordinance (File 02-1219) be approved by the Board of Supervisors. Mr. Putris advises that the supplemental appropriation request of \$998,992 is the amount of additional funds that the Treasurer/Tax Collector's Office would require if the applications to participate in the proposed Business Tax Penalty Amnesty Program were to be accepted for a 60-day period. According to Ms. Peg Stevenson of the Controller's Office, the Controller's Office is only able to certify \$297,498 in increased business tax revenues to pay for the requested supplemental appropriation of \$998,992. Ms. Stevenson advises that the amount of \$297,498 represents the estimated amount at this time which the Controller believes would be realized by the City as a result of the proposed Business Tax Penalty Amnesty Program.

4. As previously noted, an increase in penalties would be imposed on businesses (a) which fail to pay business taxes owed to the City, from the current not-to-exceed penalty of 20% of the amount of taxes owed to a proposed not-to-exceed penalty of 25% of the amount of taxes owed, or (b) which fail to file a business tax return, whereby the current penalty of \$100 would be increased to a penalty of \$250. Mr. Putris advises that the Treasurer/Tax Collector's Office is unable to estimate the additional revenues to the City which would result from the increased penalties under the proposed ordinance.

5. The Budget Analyst notes that while business tax collections may increase during the amnesty period, much of that revenue might be collected without an amnesty program, simply as a result of the Tax Collector's normal auditing and collection procedures. The Attachment includes a flow chart of the business tax filing and collection process. As previously noted, the Treasurer/Tax Collector's Office has no information on the forgone

revenues to the City from the 1995 amnesty program. As also previously noted, Mr. Putris estimates that the amount of penalty revenues which may be forgone by the City if the proposed Business Tax Penalty Amnesty Program is approved by the Board of Supervisors is \$12,466,561.

6. Although, at this time, the Controller is only able to certify \$297,498 in additional increased revenue which may result from the proposed Business Tax Penalty Amnesty Program, it is possible that additional revenues would be realized by the City. Further, such a Program could result in improved compliance with the City's business tax laws and could result in an increase to the City's business tax base if the number of currently unregistered businesses use the amnesty program to become registered with the City. The potential for an increased number of registered businesses could therefore be viewed as a long term revenue benefit resulting from the proposed Business Tax Penalty Amnesty Program.

**Recommendation:** Approval of the proposed ordinance is a policy decision for the Board of Supervisors.

**OFFICE OF THE TREASURER & TAX COLLECTOR  
CITY AND COUNTY OF SAN FRANCISCO**

Street Address: 1 Dr. Carlton B. Goodlett Place, City Hall, Room 140  
San Francisco, CA 94102  
Mailing Address: P.O. Box 7425, San Francisco, CA 94120-7425

**SUSAN LEAL**  
Treasurer

**GEORGE PUTRIS**  
Tax Administrator

**DATE:** Original: September 25, 2002; Updated: January 9, 2003  
**TO:** Anna LaForte  
**FROM:** George Putris, Tax Administrator  
**SUBJECT:** Proposed Business Tax Penalty Amnesty Program  
**CC:** Hon. Susan Leal, Treasurer/Tax Collector

We have considered your questions concerning the proposed Business Tax Penalty Amnesty Program and respond as follows:

**1. Program Costs**

Set forth below is an estimated budget for the proposed Business Tax Penalty Amnesty Program. This budget relies upon the actual costs incurred during the fiscal year 1994/1995 Amnesty Program.

*Assumptions:*

- Inflation rate at 20 percent for programming and materials. Employee compensation set forth at current rates.
- Total number of businesses participating in the proposed amnesty program same as in the prior program; that is, approximately 10,000 applicants, of which 4,500 ultimately required to pay delinquent tax obligations.
- Additional staff will be needed for a six-month period to complete the processing of applications and payment arrangements.

| Temporary Positions                        | Cost       | FTE | Annual |
|--------------------------------------------|------------|-----|--------|
| 4222 Sr. Auditor                           | \$37,284   | .5  | 74,568 |
| 4220 Auditor                               | \$128,856  | 2   | 64,428 |
| 4308 Collections Officer                   | \$115,492  | 2   | 57,746 |
| 1632 Sr. Acct Clerk                        | \$103,480  | 2   | 51,740 |
| 1630 Acct Clerk                            | \$89,388   | 2   | 44,694 |
| 1424 Clerk Typist                          | \$43,316   | 1   | 43,316 |
|                                            |            |     |        |
| FTE Total                                  | \$517,816  | 9.5 |        |
| Benefits                                   | \$40,000   |     |        |
| Overhead                                   | 0          |     |        |
| Advertising                                | \$30,000   |     |        |
| Materials, Supplies, Mailing & Programming | \$411,176  |     |        |
| Total                                      | \$998,992. |     |        |

## **2. Supplemental Appropriation Required**

The Treasurer's Office has not included the above-estimated costs in its fiscal year 2002/2003 budget. Therefore, supplemental appropriations equal to the entire program costs would be required.

## **3. Aggregate Penalties Subject to Forgiveness Under Proposed Amnesty Program**

If all delinquent taxpayers with collectable accounts availed themselves of the proposed Business Tax Penalty Amnesty Program, the total amount of outstanding penalties subject to forgiveness would be \$12,466,561.

The total amount collected during the fiscal year 1994/1995 Amnesty Program was \$4,949,336. The total cost of administering such Program was \$770,952, of which \$249,162 was for materials, supplies and programming. The aggregate amount of penalties waived in connection with such Program were not recorded at the time and cannot easily be determined now.

## **4. Delinquent Revenue Collection Process**

The department's Bureau of Delinquent Revenue ("BDR") is primarily responsible for identifying and collecting delinquent business tax revenues due and owing to the City and County of San Francisco. A summary of BDR's procedures are set forth below:

- Delinquent accounts are identified using "on-hold" reports generated daily from DTIS. This report reflects registered businesses that have made a payment but, due to a prior year's delinquency, have a "hold" on the issuance of a new registration certificate.
- For delinquent accounts, collectors research and compile all taxes, including business taxes and unsecured property taxes (UPP), and send a statement of account to the taxpayer.
- Taxpayers contact the office to pay, dispute or clarify the account. If payment in full is received, the registration will issue automatically by the Business Tax System ("BTS"). If the taxpayer disputes the liability and requests a waiver of penalties, the matter is forwarded to Business Tax Section. If the taxpayer sends documentation to substantiate the basis of the dispute (e.g., the business closed a year ago), then an adjustment request is forwarded to the Taxpayer Assistance or Business Tax Section.
- If the taxpayer fails to respond, a second letter is sent. If no response is received, then the account is forwarded to Investigations for further action and possibly the recordation of a lien. If the amount is under \$5,000, the business tax summary judgments procedure may be used. If the amount is over \$5,000, the account is forwarded to Legal Section to review for possible legal action.

- Separate from this process, collectors work to proactively identify businesses who are delinquent in tax payments in excess of those identified in the “on-hold” report. The following means are used:
  - i. Cross referencing taxpayer accounts in the BTS and various lists of delinquent UPP taxes and other files and list provided by third parties, including Dunn and Bradstreet, the Franchise Tax Board, and the State Board of Equalization. This cross-checking procedure typically yields the identities of large numbers of unregistered businesses.
  - ii. Search of the BTS system for large delinquent obligations to collect (also known as “cherry picking”).
  - iii. Identification of unregistered companies and individuals doing business in the City and County of San Francisco using the Internet, periodicals, newspapers, etc.

*The chart attached to this Memorandum provides an overview of BDR’s collection process. The chart outlines procedures associated with the non-payment of business taxes over time and reflects the categories of businesses who would be eligible for a new Amnesty Program.*

## 5. Long Term Results of Prior Amnesty Program

It is reasonable to assume that some number of unregistered businesses that availed themselves of the prior amnesty program paid past and future taxes that would not have been collected but for such program. Some of these businesses would probably have been identified by BDR in the ordinary course of business; therefore, it is possible that the prior amnesty program reduced post-amnesty collections. Stated another way, the amnesty program, by accelerating collections to the amnesty period, reduced later collections by a like amount.

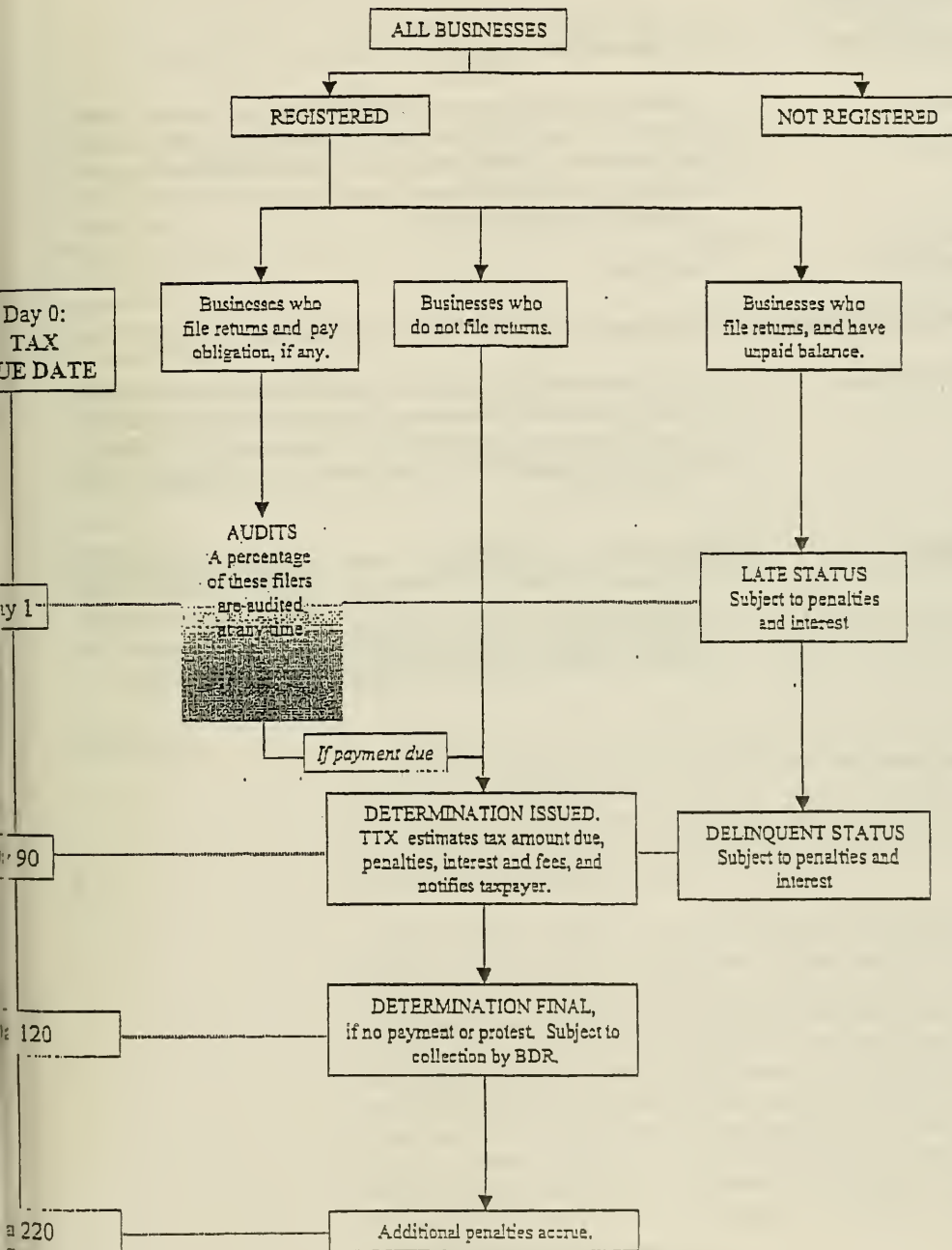
## 6. Policy Implications Of Amnesty Programs

The reduction of the number of non-compliant businesses eases BDR’s burden of discovering and collecting delinquent tax obligations. In addition, amnesty serves to accelerate the collection of past due tax obligations.

Two unintended effects of amnesty program are as follows:

- Some of the taxpayers who have diligently complied with the City and County of San Francisco’s various taxation laws or have actually paid the types of penalties forgiven under amnesty programs *take exception* to what they consider the special treatment that non-compliant businesses receive under such programs.
- In the taxable years following an amnesty program, some non-compliant businesses who incur penalties choose not to come forward, choosing instead to wait for a future amnesty program.

# Business Tax Filing & Collection Process



Item 2 - 02-2029

**Department:** Treasurer/Tax Collector

**Item:** Ordinance appropriating \$998,992 from the General Fund Reserve to the Office of the Treasurer/Tax Collector for the purpose of implementing a Business Tax Penalty Amnesty Program during fiscal year 2002-2003, and placing \$701,494 on reserve.

**Amount:** \$998,992

**Source of Funds:** Business Tax Revenue (see Comment No. 4).

**Description:** The Treasurer/Tax Collector is requesting a supplemental appropriation in the amount of \$998,992 from the General Fund Reserve to implement a Business Tax Penalty Amnesty Program in FY 2002-2003 as described in Item 1, File 02-1219.

**Budget:** According to Mr. George Putris of the Treasurer/Tax Collector's Office, for the six month period from approximately March 1, 2003 through approximately August 31, 2003, the cost to implement the Business Tax Penalty Amnesty Program would be \$998,992 as follows:

Memo to Finance Committee  
January 15, 2003 Finance Committee Meeting

| Description                                            | Requested<br>Appropriation | Appropriated and<br>Unreserved Amount | Reserved Amount<br>of Total Requested<br>Appropriation |
|--------------------------------------------------------|----------------------------|---------------------------------------|--------------------------------------------------------|
| Temporary Salaries &<br>Fringe Benefits                | \$565,992                  | \$141,498                             | \$424,494                                              |
| Official Advertising                                   | 30,000                     | 30,000                                | -                                                      |
| Materials and Supplies                                 | 45,000                     | 18,000                                | 27,000                                                 |
| Forms                                                  | 3,000                      | 3,000                                 | -                                                      |
| Professional &<br>Specialized Services                 | 60,000                     | 40,000                                | 20,000                                                 |
| Services of Other<br>Departments – DTIS<br>Programming | 260,000                    | 30,000                                | 230,000                                                |
| Services of Other<br>Departments – DTIS<br>Telephone   | 5,000                      | 5,000                                 | -                                                      |
| Services of Other<br>Departments – Mail                | 20,000                     | 20,000                                | -                                                      |
| Services of Other<br>Departments<br>Reproduction       | 10,000                     | 10,000                                | -                                                      |
| <b>Total Program Cost</b>                              | <b>\$998,992</b>           | <b>\$297,498</b>                      | <b>\$701,494</b>                                       |

Attachment I, is a memorandum provided by Mr. Putris, which provides additional budgetary and programmatic details.

**Comments:**

1. In Attachment I, Mr. Putris identifies reserved funds of \$648,362 instead of the Controller's recommended reserve of \$701,454, as shown in the table above. According to Ms. Pamela Levin of the Controller's Office, the Controller continues to recommend reserved funds of \$701,494 (see Comment No. 4).

2. The Budget Analyst has reviewed the Controller's latest FY 2002-2003 expenditure projections for the Treasurer/Tax Collector's Office, based on salary and mandatory fringe benefit expenditures through the pay period ending December 20, 2002. Using fiscal year-to-date average pay period expenditures, to project salary and fringe benefit spending for the remainder of the fiscal year, results in a projected year-end surplus of \$223,843. However, when basing the projection on the latest pay period expenditures, the Treasurer/Tax Collector's year end projection results in a deficit of \$124,569. This

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

difference in projections is due to recent hiring of temporary personnel to process Property Tax payments, the first installment of which was due December 10, 2002.

In Attachment II, Mr. Jay Banfield of the Treasurer/Tax Collector's Office explains that as a result of the increased spending on seasonal, temporary personnel, the Department will not have a surplus which can be used as a source of funds for this proposed supplemental appropriation but that the Department will end the fiscal year with a balanced budget.

3. Ms. Margolis states in Attachment I that, "It is impossible to project the amount of revenue that will be generated with a new Amnesty Program. The revenue generated from the program will be dependent on the level of participation in the program from the business community." However, Ms. Margolis states that the total amount collected during the FY 1994-1995 Amnesty Program was \$4,949,336.

4. According to Ms. Levin, out of the total requested amount of \$998,992, at this time, the Controller's Office is only able to certify \$297,498 in increased business tax revenues that might result from the implementation of the Business Tax Penalty Amnesty Program, to serve as a funding source for the subject supplemental appropriation. Therefore, the Controller's Office has placed the balance of this request or \$701,494 on reserve pending the submission of a report by the Treasurer/Tax Collector to the Controller's Office, which would provide information demonstrating that sufficient revenue would be generated by the Business Tax Penalty Amnesty Program, according to Ms. Levin. Mr. Putris states that such a report, which would be submitted to the Controller's Office approximately one month after the Program begins, would consist of 1) the number of responses to the program, 2) the total number of applicants for the Business Tax Penalty Amnesty Program, 3) the actual amount of Business Tax revenues collected to date, 4) projected total Business Tax revenue collections, and 5) the total amount of Business Tax Liability reflected in the Tax Collector's record for all applicants to the Business Tax Penalty Amnesty

Program. According to Ms. Levin, additional reports demonstrating appropriate business tax revenue levels may be required from the Treasurer/Tax Collector in order for the Controller to release the reserved funds. The Budget Analyst further recommends that the Treasurer/Tax Collector submit all such reports to the Finance Committee of the Board of Supervisors.

5. Ms. Levin states that the Controller will submit an Amendment of the Whole to the Finance Committee designating the source of funds for the entire \$998,992 as new Business Tax Revenues, instead of appropriating \$998,992 from the General Fund Reserve.

6. According to Ms. Levin, the subject \$701,494 in reserved funds are subject to release by the Controller's Office but are not subject to release by the Board of Supervisors. The Finance Committee may wish to amend the proposed ordinance to require approval by the Board of Supervisors prior to the release of the \$701,494 in reserved funds.

**Recommendations:**

1. Amend the proposed ordinance to require that the Treasurer/Tax Collector submit to the Finance Committee all reports prepared to provide information demonstrating that sufficient Business Tax revenue would be generated by the Business Tax Penalty Amnesty Program to fully fund the cost of the Program.

2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

# Office of the Treasurer

## & Tax Collector

City and County of San Francisco

City Hall, Room 140

#1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102



SUSAN LEAL, Treasurer

## M E M O R A N D U M

TO: Leanne Nahn  
CC: Susan Leal  
FROM: Shana Margolis  
DATE: January 9, 2003  
RE: Proposed Business Tax Amnesty Program Supplemental Appropriation

Following are responses to your questions regarding the proposed Business Tax Penalty Amnesty Program Supplemental Appropriation Request.

### 1. Program Summary

The proposed Business Tax Amnesty Program would waive all penalties for businesses that apply and qualify for the amnesty during the 2-month amnesty period. Businesses must pay the principal amount of tax and all interest to qualify. The amnesty program would apply to all businesses that:

- (a) Failed to pay the annual business registration fee;
- (b) Failed to file a tax return, pay tax, or underreported tax; and/or
- (c) Paid registration and/or taxes late.

Following the amnesty period, penalties for delinquent registration and tax filing will increase.

### 2. Purpose of Supplemental Appropriation Request

The Office of the Treasurer & Tax Collector currently does not have sufficient staff to administer the Tax Amnesty Program without curtailing other collection activities. The Office will require additional staff during a 6-month period to prepare and process all amnesty applications and payment arrangements. During the previous Amnesty Program during fiscal year 1994/1995, the Office processed 10,000 applications at a total cost of \$770,952.

### 3. Services to be Delivered

The Office will engage in the following tasks and provide the following services:

- Conduct outreach to the business community, including press releases, advertising in newspapers, and attempting to secure donated billboard and other types of advertising;

- Preparation and mailing of amnesty application forms and materials;
- Staffing of the phone bank to respond to amnesty applicant questions;
- Staffing at counters for walk-in amnesty applicants;
- Programming the business tax computer system to process the applications;
- Programming of the on-line portal to provide online filing of amnesty applications;
- Staffing to process and audit amnesty applications and payments.

#### 4. Anticipated Revenues Resulting from Program

The total amount collected during the fiscal year 1994/1995 Amnesty Program was \$4,949,336 as reported by the former Tax Collector Richard Sullivan. It is impossible to project the amount of revenue that will be generated with a new Amnesty Program. The revenue generated from the program will be dependent on the level of participation in the program from the business community.

#### 5. Description of Supplemental Appropriation Request by Line Item

| <u>Description</u>          | <u>Total Cost</u> | <u>Initial Cost</u> | <u>Reserved</u> | <u>Commentary</u>                                                                                                                                                                                                                                                                              |
|-----------------------------|-------------------|---------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Temporary Salaries          | \$517,816 ...     | \$129,454           | \$388,362       | 9.5 FTE (actually 19 people for 6 months). Detail of staff and their duties is outlined below.                                                                                                                                                                                                 |
| Mandatory Fringe Benefits   | \$40,000 ...      | \$10,000            | \$30,000        | Per Controller's Office                                                                                                                                                                                                                                                                        |
| Official Advertising        | \$30,000          | \$30,000            | 0               | Newspaper advertising of program. All advertising must be done in advance of taking applications to ensure a substantial number of applicants. The Office will attempt to obtain donated billboard and other advertising as per the last program. For details, see <b>Schedule A</b> attached. |
| Materials and Supplies      | \$70,576          | \$70,576            | 0               | Purchase of computers, desks and possibly some cubicles for placement in temporary offices in City Hall to process amnesty applications. For details, see <b>Schedule B</b> attached.                                                                                                          |
| Forms                       | \$3,000           | \$3,000             | 0               | Printing of application forms. All forms must be created and printed prior to commencement.                                                                                                                                                                                                    |
| Internet Portal Programming | \$35,400          | \$35,400            | 0               | Online application programming. Online filing will substantially reduce the staffing cost of processing applications. The consultant, <i>Ciber</i> , was selected through an RFP process hired by DTIS. The RFP was issued in Spring 2002 and the contract was signed in Summer 2002.          |

|                      |                  |                  |                  |                                                                                                                                                                                                                                              |
|----------------------|------------------|------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                      |                  |                  |                  | Ciber's costs are estimated at \$25,000. DTIS will also incur programming costs estimated at \$5,000. All portal costs must be incurred prior to the commencement of the project and are not scalable. For details, see Schedule C attached. |
| DTIS programming     | \$260,000        | \$30,000         | \$230,000        | Work order funds to DTIS. This cost is an estimate based on DTIS' programming costs to run the prior amnesty program. The initial cost assumes manual data entry of application forms unless a substantial volume requires automation.       |
| Telephone Service    | \$8,200          | \$8,200          | 0                | Work order funds to DTIS. Separate phone lines for program through DTIS. A high volume of calls is expected that will overwhelm the current phone system. For details, see Schedule D attached.                                              |
| Mail Service         | \$24,000         | \$24,000         | 0                | Work order funds to Reproduction. Time & Postage – 3 oz./24,000. Mailing of notice to known delinquent taxpayers must take place prior to start of program.                                                                                  |
| Reproduction Service | \$10,000         | \$10,000         | 0                | Work order funds to Reproduction. Print and fold 24,000 letters                                                                                                                                                                              |
| <b>Total</b>         | <b>\$998,992</b> | <b>\$350,630</b> | <b>\$648,362</b> |                                                                                                                                                                                                                                              |

#### 6. Reason for Placing Some Money on Reserve

The estimated cost of the program is \$997,316 as outlined above. Because it is unknown how much money the program will actually bring in, the Office of the Treasurer & Tax Collector has estimated the minimum amount of money it will take to get the program up and running if few businesses apply for the amnesty. These initial costs are outlined above and include advertising, phone lines, printing and mailing forms and applications, computer and on-line portal programming and 25 percent of the total staff time.

A limited number of staff will begin by focusing on identifying delinquent taxpayers and preparing notices, forms and applications. Additional staff members will be utilized when the amnesty-filing period begins. These employees will staff the phone bank and counters to assist businesses that apply for amnesty. If there is a large response to the program, the Office will employ all estimated temporary positions to process such applications. Additional programming costs will be incurred to provide for automated processing of large quantities of applications.

#### 7. Detail of Temporary Positions

|      |                     | <u>Cost</u> | <u>FTE</u> | <u>Annual</u> |
|------|---------------------|-------------|------------|---------------|
| 4222 | Sr. Auditor         | 37,284      | .5         | 74,568        |
| 4220 | Auditor             | 128,856     | 2          | 64,428        |
| 4308 | Collections Officer | 115,492     | 2          | 57,746        |

|      |                   |           |     |        |
|------|-------------------|-----------|-----|--------|
| 1632 | Sr. Account Clerk | 103,480   | 2   | 51,740 |
| 1630 | Account Clerk     | 89,388    | 2   | 44,694 |
| 1424 | Clerk Typist      | 43,316    | 1   | 43,316 |
|      | Total             | \$517,816 | 9.5 |        |

The clerk/typist and account clerk positions will be responsible for manually entering in the application data into the Business Tax System. It is assumed that one clerk-typist can handle a small volume of applications. However, if a large volume of applications is received, it will be necessary to have DTIS program the system to automate the data entry as one typist will not be able to handle a large volume. If the system is reprogrammed, one clerk-typist position will still be necessary to scan the applications into the system, handle exceptions and file documents.

# SCHEDULE A

## BUSINESS TAX AMNESTY AD COST

For a 3.75" wide x 4" deep paragraph

| NEWSPAPER                                                                               | COST (ONE DAY) | NO. OF DAYS | TOTAL COST         |
|-----------------------------------------------------------------------------------------|----------------|-------------|--------------------|
| <b>SAN FRANCISCO INDEPENDENT</b><br>Publishes on Saturdays, Tuesdays and Thursdays only | \$573.12       | 4           | \$2,292.48         |
| <b>SAN FRANCISCO EXAMINER</b><br>Publishes Monday thru Friday                           | \$1,195.20     | 5           | \$5,976.00         |
| <b>SAN FRANCISCO CHRONICLE</b><br>Publishes everyday                                    |                |             |                    |
| SUNDAY:                                                                                 | \$4,400.00     | 2           | \$8,800.00         |
| WEEKDAY:                                                                                | \$4,264.00     | 3           | \$12,792.00        |
| <b>TOTAL COST</b>                                                                       |                |             | <b>\$29,860.48</b> |

## SCHEDULE B

### Breakdown of estimated materials and supplies:

|                                                     |           |
|-----------------------------------------------------|-----------|
| 18 computers (PC and monitors) \$1500.00 ea. =      | \$27,000. |
| 18 Software licenses:                               |           |
| MS Office Professional @ \$500 ea. (database)       | 9,000.    |
| Rumba Office software for system access @ \$300 ea. | 5,400.    |
| 4 Printers and Toner/paper supplies                 | 5,000.    |

#### CITY HALL (for an identified pre-wired location)

|                                                                      |                   |
|----------------------------------------------------------------------|-------------------|
| Desks 18 @ \$1232.00 Ea.                                             | \$22,176. Rounded |
| (Any monies left will be applied to cubicle partition Set up costs). |                   |

|                                             |        |
|---------------------------------------------|--------|
| Purchase local Area network hardware switch | 2,000. |
|---------------------------------------------|--------|

TOTAL:   \$ 70,576.

IMPORTANT TO NOTE THAT A PRE-WIRED CITY HALL ROOM THAT CAN HANDLE 18 COMPUTERS HAS AS OF THIS DATE NOT BEEN IDENTIFIED. COSTS MAY INCREASE IF WE GO OUTSIDE CITY HALL.

## SCHEDULE C

### BUSINESS TAX AMNESTY ONLINE REGISTRATION

#### Overview:

The Amnesty Registration application would allow businesses (delinquent registrants only) to register online for the Business Registration Certificate and to calculate fees associated with late registration/filing.

General description of the application that we envision:

- Businesses will submit the registration information online and then print and mail a signature slip (which will satisfy the requirement for an original signature). The Tax Amnesty Registration application will calculate registration and payroll tax fees/penalties based on the business start date and the annual payroll cost.
- Payment by check will be mailed along with the signature slip or payment will be made online by credit card or electronic check (convenience fees may apply).
- The registration information will be uploaded to BTS upon receipt of the signature slip and payment (if not already paid online).

#### Cost:

##### **Ciber:**

|                                   |           |
|-----------------------------------|-----------|
| Project Management                | 40 hours  |
| Technical Architect               | 20 hours  |
| Application Developers/QA Testing | 100 hours |
| Content Developer/Graphic Artist  | 20 hours  |
| Technical Writer                  | 20 hours  |

Ciber Cost: 200 hours @ \$125/hour = \$25,000

DTIS: approx. 100 hours BTS programming at \$104/hour = \$10,400

**TOTAL COST: \$35,400**

## SCHEDULE D

**BREAKDOWN for a telephone system only at an\*identified, pre-wired,  
location in City Hall for 18 units:**

|                                                 |                           |
|-------------------------------------------------|---------------------------|
| <b>Installation Costs: 18-line ACD group:</b>   | <b>\$7,700. (rounded)</b> |
| 6408 Set for 18 units at \$427 set = \$7,686.00 |                           |
| Installation                                    | \$ 300.                   |
| ACD programming                                 | \$ 200.                   |
| <b>TOTAL:</b>                                   | <b>\$8,200.00</b>         |

**\*IMPORTANT TO NOTE THAT A PRE-WIRED CITY HALL ROOM THAT  
CAN HANDLE 18 COMPUTERS HAS AS OF THIS DATE NOT BEEN  
IDENTIFIED. COSTS MAY INCREASE IF WE GO OUTSIDE CITY HALL.**

# Office of the Treasurer & Tax Collector

City and County of San Francisco

City Hall, Room 140

#1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102



SUSAN LEAL, Treasurer

JAY BANFIELD, Chief Assistant Treasurer

Phone: (415) 554-4478

January 8, 2003

Ms. Leanne Nhan  
Budget Analyst's Office  
1390 Market Street, Suite 1025  
San Francisco, CA 94102

Dear Ms. Nhan,

You have indicated that the latest expenditure projection from the Controller's Office shows a deficit of \$124, 569 and a surplus of \$223,843 in salary and fringe benefits, depending upon the methodology used.

These projections, by definition, do not account for the office's staffing plan for the remainder of the fiscal year. As in prior years, the office will hire seasonal personnel for the processing of business tax statements (deadline of February 28, 2003) and property tax statements (deadline of April 10, 2003). The Office of the Treasurer & Tax Collector will also hire positions authorized by the Board of Supervisors to administer the Police Emergency Alarm ordinance, as well as recently vacated collection and auditing positions that generate millions of dollars in tax revenue.

As a result, the Office of the Treasurer & Tax Collector will end the year with neither a deficit nor a surplus in salary and fringe benefits. Our staffing plan will result in salary and fringe benefit expenditures equal to our budgeted amount.

Please feel free to contact me if you would like to discuss this in more detail.

Sincerely,

Jay Banfield

Item 3 - File 02-1599

**Department:** Port

**Item:** Resolution approving a sublease between Ferry Building Associates, LLC, as Sublandlord, and San Francisco Port Commission, as Subtenant, for the Port Commission Hearing Room and ancillary premises, located in the Ferry Building.

**Location:** Second floor, Ferry Building, The Embarcadero.

**Purpose of Lease:** To provide public meeting space for the Port Commission, including ancillary conference and storage areas. Under the proposed sublease, the Port would have the exclusive right to use the Port Commission Hearing Room and adjacent space for its twice-monthly regular meetings, and the exclusive right to use the Port Commission Hearing Room and adjacent space for other Port meetings upon 45 days prior notice to Ferry Building Associates, LLC. Ferry Building Associates, LLC may use the Port Commission Hearing Room and adjacent space when it is not in use by the Port Commission, subject to the Port's right of first refusal. The ancillary conference and storage areas are for the Port's exclusive use.

The Port owns the Ferry Building. However, in order to rehabilitate the Ferry Building as a mixed use project, the Port entered into a Lease Disposition and Development Agreement with Ferry Building Associates, LLC on January 24, 2000, as approved by the Board of Supervisors on December 20, 1999 (Resolution No. 1140-99). In accordance with (a) the Lease Disposition and Development Agreement, (b) a Ground Lease dated April 10, 2001, and (c) a Master Tenant Sublease dated December 31, 2001, between the Port and Ferry Building Associates, LLC, the Port Commission is authorized to conduct its regularly scheduled meetings and to maintain ancillary conference and storage space at the Ferry Building.

Under the proposed sublease, the Port is requesting (a) use of the Port Commission Hearing Room consisting of 2,310 square feet, (b) use of adjacent space consisting of

990 square feet, and (c) exclusive use of 600 square feet for the ancillary conference and storage areas, for the remainder of the Lease Disposition and Development Agreement and the Ground Lease. In April of 2067, the Ferry Building returns to the Port's full control when the Lease Disposition and Development Agreement and the Ground Lease with Ferry Building Associates, LLC expires.

**Sublessor:** Ferry Building Associates, LLC.

**Sublessee:** City and County of San Francisco, acting through the Port Commission.

**No. of Sq. Ft. and  
Monthly Rent  
Payable by the  
Port to Ferry  
Building Associates:**

2,310 square feet for the Port Commission Hearing Room, 990 square feet for adjacent space, and 600 square feet for the ancillary conference and storage areas, for a total of 3,900 square feet.

**Annual Costs  
Payable by the Port  
to Ferry Building  
Associates, LLC:**

The Port would not pay rent or operating costs related to the Port Commission Hearing Room and adjacent space. However, the Port is required to pay an estimated cost of between \$8,022 and \$9,222 per year for its share of building operating costs related to the ancillary conference and storage areas, and for utility, janitorial, and security services provided after hours and at special events, as stated in Attachment I, provided by Ms. Kari Kilstrom of the Port.

**Term of Lease:**

The proposed lease commences on the date that Ferry Building Associates, LLC delivers the premises to the Port, which is expected to occur in March of 2003. The proposed lease terminates upon expiration of the Lease Disposition and Development Agreement with Ferry Building Associates, LLC in April of 2067, when the Ferry Building returns to the Port's full control. The Port, at its

sole discretion, can terminate the proposed sublease at any time without penalty.

**Utilities and Janitorial Services:**

To be provided by Ferry Building Associates, LLC except during the hours after 10:00 p.m. and for special events. The annual costs of utilities and janitorial services after business hours and during special events are estimated to be between \$2,500 and \$3,700, as reported by the Port in Attachment I.

**Tenant Improvements:** Under the proposed lease, Ferry Building Associates, LLC is required to construct improvements to the Port Commission Hearing Room and adjacent space at a total estimated cost of \$1,315,854, as detailed in Attachment II provided by the Port. Of this amount, Ferry Building Associates, LLC is required to pay 31.78 percent of such costs, or an estimated \$418,204, and the Port is required to pay 68.22 percent of such costs, or an estimated balance of \$897,650.

**Comments:**

1. Ms. Kilstrom advises that the Port currently conducts Port Commission hearings in conference room facilities located at Pier 1. Ms. Kilstrom advises that moving Port Commission meetings back to the Ferry Building will release the Pier 1 conference room facilities for full-time use by Port staff.

2. Attachment III is a memorandum from Ms. Kilstrom explaining why Ferry Building Associates, LLC is required to pay 31.78 percent of the tenant improvements and why the Port is required to pay 68.22 percent of the such improvements. According to Ms. Kilstrom, "The Port is responsible for improvements related to using the Room and ancillary space for public meeting room purposes, including acoustic treatments, telecommunications, audio/visual, data and computer cabling facilities and equipment and talking signs. The cost of \$897,650 includes design, construction and furnishings."

3. The Budget Analyst notes that the total cost of \$1,315,854 for the proposed tenant improvements to the 3,900 square feet space for the Port Commission Hearing Room and adjacent space represents approximately

\$337.40 per square foot. Attachment IV, provided by Ms. Kilstrom, explains (a) why the proposed tenant improvements would cost \$897,650 for the Port's share, (b) how the scope and cost of the proposed tenant improvements were determined and by whom, and (c) how each of the subcontractors who will construct the tenant improvements were selected. Ms. Kilstrom reports, in relation to the \$897,650 cost to the Port, that excluding (a) specialized construction items in the amount of \$384,118, or approximately \$98.49 per square foot, (b) soft costs (i.e. design related fees including the development management fee) in the amount of \$151,183, (c) furnishings in the amount of \$174,375, and (d) a contingency amount of \$42,745, the base construction costs for the 3,900 square foot space are \$145,259, or approximately \$37.25 per square foot.

**Recommendation:** Approval of the proposed resolution is a policy matter for the Board of Supervisors.



To: Budget Analyst

From: Kari Kilstrom  
Project Manager

Date: November 12, 2002

Subject: **Rent and Operating Costs**

The Port would not pay rent or operating costs related to the Port Commission Hearing Room and adjacent space. However, the Port is required to pay:

- 50 percent of its share of building operating costs for insurance, taxes, and common area maintenance attributable to the 600 square feet of ancillary conference and storage space. The Port's share of such expenses is 0.41 percent of the total costs for Ferry Building office users, or an estimated \$5,522 per year or approximately \$460 per month.
- Utility, janitorial, security, and other service costs provided to the Port for special events, at an estimated annual cost of between \$2,400 and \$3,600.
- Utility, janitorial, security, and other service costs provided to the Port at the ancillary conference and storage areas after normal business hours, at an estimated annual cost of \$100, which is a nominal estimate for lighting in the executive conference room since such meetings typically extend beyond normal business hours.
- Consistent with standard lease provisions, the Port is responsible for costs of security after 10:00 p.m. at regularly scheduled Port Commission meetings and other costs incurred in connection with services and above-standard utilities provided to the Port which are not provided to other Ferry Building tenants. No such costs are anticipated.

The cumulative estimated cost of these additional payments is between \$2,500 and \$3,700 per year. When added to the estimated building operating cost of \$5,522 per year, total costs to the Port would amount to between \$8,022 and \$9,222 annually.



## APPROVED COSTS

### I. Tenant Improvements to be Paid by Ferry Building Associates, LLC

#### A. Original Improvements

|                                       |                  |
|---------------------------------------|------------------|
| Finish Carpentry                      | \$ 22,550        |
| Historic Window Repair                | 24,000           |
| Door Assemblies                       | 16,232           |
| Drywall, paint and wall panels        | 49,025           |
| Acoustic ceiling and fire protection  | 9,105            |
| Carpet                                | 12,240           |
| Window coverings                      | 7,995            |
| HVAC                                  | 31,815           |
| Electrical systems                    | 100,785          |
| Talking signs                         | 39,037           |
| Security system                       | 13,942           |
| Contractor fee, tax, general expenses | 36,675           |
| Design fees                           | 24,599           |
|                                       | <b>\$388,000</b> |

#### B. Modifications to Original Improvements

|                                                       |                  |
|-------------------------------------------------------|------------------|
| Interior finish carpentry                             | \$ 1,501         |
| Construction of moveable dais                         | 24,995           |
| Sealant, caulking, door assemblies, drywall, painting | 3,708            |
|                                                       | <b>\$ 30,204</b> |

**Subtotal to be Paid by Ferry Building Associates, LLC \$418,204**

### II. Tenant Improvements to be Paid by the Port

#### A. Fundamental Construction Items

|                                         |                  |
|-----------------------------------------|------------------|
| General requirements                    | \$ 55,884        |
| Carpentry, metal construction, flooring | 43,473           |
| Appliances                              | 513              |
| Plumbing                                | 17,681           |
| Fire protection                         | 1,221            |
| Heating, ventilation, air conditioning  | 26,487           |
|                                         | <b>\$145,259</b> |

**B. Specialized Construction Items**

|                                                           |                  |
|-----------------------------------------------------------|------------------|
| Technical improvements                                    | \$183,424        |
| Acoustics (fabric panels), historic wood window surrounds | 93,017           |
| Lighting, AV display/housing, and related electrical      | 82,677           |
| Talking signs                                             | <u>25,000</u>    |
|                                                           | <b>\$384,118</b> |

**C. Soft Costs****SMWM design fees, January 15, 2002 Proposal**

|                                                       |                  |
|-------------------------------------------------------|------------------|
| Architectural/Furniture – Tom Eliot Fisch             | \$ 73,625        |
| Audio-visual/Acoustical – Charles Salter & Associates | 26,780           |
| Lighting Design – Horton Lees                         | <u>8,740</u>     |
|                                                       | <b>\$109,145</b> |

**PLANT design fees, February 12, 2002 Proposal**

|                                                |                  |
|------------------------------------------------|------------------|
| Plumbing/Fire Protection/HVAC – M.E.P. Systems | \$ 7,803         |
| Electrical – Electrical Systems                | <u>12,976</u>    |
|                                                | <b>\$ 20,779</b> |

**Development Management Fee (3% of A-C above)**

|                                                                                                                                                                                                         |           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| Payable to Ferry Building Associates, LLC for coordination and direction of the design, construction, and installation of the technical improvements and the modifications to the original improvements | \$ 21,259 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

**Soft Costs Subtotal: \$151,183**

**D. Furnishings**

|                                                                                       |                  |
|---------------------------------------------------------------------------------------|------------------|
| Movable dias                                                                          | \$ 40,749        |
| Seating, subject to separate use agreement to be agreed upon between the Port and FBA | 125,000          |
| Motorized window coverings                                                            | <u>8,596</u>     |
|                                                                                       | <b>\$174,345</b> |

**E. Contingency (5% of A-E above) \$ 42,745**

**Subtotal to be Paid by the Port \$897,650**

**TOTAL: \$1,315,854**



To: Budget Analyst

From: Kari Kilstrom  
Project Manager

Date: December 3, 2002

Subject: Improvements to Port Commission Hearing Room

The "Port Sublease Term Sheet" referenced in the Lease Disposition and Development Agreement between the Port and FBI sets forth the type of improvements required for the Commission Room and Ancillary Spaces to be funded by FBI and the Port. The amount paid by FBI and the Port, respectively, is simply a function of the scope of improvements to be funded by each party, rather than a negotiated percentage of total cost.

FBI is required to undertake improvements to the Commission Room appropriate for a public, honorific space and improvements to the Ancillary Spaces equivalent to "building standard" office improvements. The cost of \$418,204 includes design and construction, including features such as acoustical treatments, installation of historic windows, talking signs and a mobile dais.

The Port is responsible for improvements related to using the Room and ancillary space for public meeting room purposes, including acoustic treatments, telecommunications, audio/visual, data and computer cabling facilities and equipment and talking signs. The cost of \$897,650 includes design, construction, and furnishings.



This attachment provides additional information regarding the cost of tenant improvements at the Port Commission Hearing Room in the Ferry Building.

**a) Explain why the tenant improvements associated with the Port Commission Hearing Room within the historic Ferry Building are expensive.**

The construction costs for the Port Commission Hearing Room include expense items that are indicative of restoration and refurbishment of a historic building consistent with Secretary of the Interior Standards administered by the State Office of Historic Preservation ("SHPO") and National Park Service ("NPS"), and for development of public meeting rooms within historic civic buildings. Such cost items, which include talking signs, rehabilitation and reuse of historic elements such as windows, specialized acoustic treatments, audio/visual equipment and related wiring, and a dais and other furnishings suited to a public meeting facility, would not be incurred in new office space construction.

Additional factors that contribute to the cost of the Hearing Room include:

- Lack of building services such as water nearby contribute to higher than usual plumbing costs;
- The need to acoustically separate this room from adjacent Class-A office space;
- The building's mechanical system was not designed to accommodate a relatively small space that could stay open well after normal business hours, requiring some independent mechanical features to be incorporated to serve the conference room and main meeting room areas.

In order to examine tenant improvement costs related to creating a public meeting space (as compared to, say, office space improvements) the Port's budget of \$897,650 should be isolated from the developer expenditures.

Excluding (a) specialized construction items (described below) in the amount of \$384,118, (b) soft costs (i.e. design related fees including the development management fee) in the amount of \$151,183, (c) furnishings in the amount of \$174,375, and (d) a contingency amount of \$42,745, the fundamental construction costs for the 3,900 square foot space are \$145,259 or \$37/sf.

In order for the Port to properly conduct its commission meetings and other events in the Hearing Room, specialized construction items must be installed that are specifically related to creating a functional, accessible public hearing space. These items include: technical improvements (i.e. telecommunications, audio/visual and specialty presentation equipment and data and computer cabling facilities and equipment); acoustic treatments;

lighting, audio/visual display, housing and related electrical systems; and talking signs. These items total \$384,118 or \$98/sf, as summarized below.

|                                                     |           |                  |          |
|-----------------------------------------------------|-----------|------------------|----------|
| Fundamental Construction Items                      |           | \$145,259        | \$ 37/sf |
| Specialized Construction Items                      |           | \$384,118        | \$ 98/sf |
| Technical Improvements                              | \$183,424 |                  |          |
| Acoustics and historic windows                      | \$ 93,017 |                  |          |
| Lighting, AV display/housing and related electrical | \$ 82,677 |                  |          |
| Talking signs                                       | \$ 25,000 |                  |          |
| Soft Costs (i.e. Design and management)             |           | \$151,183        | \$ 39/sf |
| Furnishings                                         |           | \$174,345        |          |
| Movable dais                                        | \$ 40,749 |                  |          |
| Seating                                             | \$125,000 |                  |          |
| Window coverings                                    | \$ 8,596  |                  |          |
| Contingency                                         |           | <u>\$ 42,745</u> |          |
|                                                     | TOTAL     | \$897,650        |          |

The specialized requirements that are unique to public meeting space improvements result in higher costs per square foot than may be typical of new office space construction. Generally, tenant improvements are spread over a much larger area than the 3,900 square foot space that has been isolated in this analysis. Any comparison of costs per foot is therefore somewhat skewed, given an unusually low denominator over which the costs are spread.

**b) Describe how the scope and cost of tenant improvements were determined and by whom.**

The design team headed by Tom Eliot Fisch prepared the construction documents for the Port Commission Hearing Room and Plant Construction, the contractor, provided the costs for tenant improvements. The Port Commission approved the scope and cost of tenant improvements on May 28, 2002 with the approval of the Sublease between Ferry Building Associates and the Port. As of December 2002, the Port estimates a cost of \$844,330 for the Hearing Room improvements, well within the authorized budget of \$897,650.

Furniture pricing is based upon manufacturer's listed prices and includes a 40% discount assuming the Port qualifies for California Communities discount for City of San

Francisco agencies, and includes tax, freight and installation. The scope and budget were minimized by eliminating conference chairs which will be re-used from the Port's offices, using a simple conference table rather than one which incorporates audio-visual or telephone data capabilities, and by only using manufacturers that participate in the California Communities discounting program.

In general, the cost of the furniture is the same from any dealer participating in the discounting program, which provides a deep discount. The remaining price variable is the delivery and/or installation fee. Several of the furniture pieces selected for the hearing room are manufactured only by Steelcase. The policy among dealers that represent Steelcase is to avoid bidding against one another for the same product, thereby limiting the field of furniture dealers to (a) the most proximate Steelcase dealer participating in the discounting program; and (b) other dealers participating in the discounting program that do not normally deal with Steelcase but would make arrangements with another dealer to obtain the product at the discount price and within reasonable proximity to provide competitive delivery rates. At least two furniture dealers produced pricing, between \$85,746 and \$79,607 (before tax). The dealer with the lowest bid was selected.

**b) Describe how the subcontractors were selected.**

The Port Commission Hearing Room scope based on a preliminary design was originally part of the overall Ferry Building scope of construction. Ferry Building Associates, via Plant Construction, initiated a publicly advertised bid process for most sub-contractors for the building. During the contracting process, the developer implemented an Equal Opportunity Program contained in the Development Agreement in furtherance of covenants not to discriminate and to afford opportunities for minority-owned enterprises, women-owned enterprises and economically disadvantaged local businesses to participate in the architecture, design, engineering and development of the improvements. Subsequently, the Port Commission approved the final design and budget for the Hearing Room. The original building subcontractors remained part of the team building out the Hearing Room space for two major reasons: The subcontractors were already mobilized on site, saving the Port mobilization and demobilization costs for the Hearing Room; and deleting the Hearing Room scope from the original subcontracts would not result in receiving back most of the value of the preliminary design. The contract award price for each item of work includes overhead, mobilization and profit. If work is deleted from the contract, the "credit" value excludes such fees and does not yield a dollar-for-dollar return. The Ferry Building contract includes favorable unit prices for various subcontracted items of work reflecting the economies of scale associated with a large construction project, which are applied to the relatively small hearing room space to the Port's benefit. In addition, the subcontracts for plumbing, sprinkler, mechanical and electrical are all "design-build" which streamline and economize the overall process and cost for final design and construction.

An Audio-Visual subcontractor was added to the original team to procure and install the Technical Improvements and related audio-visual systems. The Port worked with

Charles M. Salter Associates, consultants in acoustics and audio-visual design for over 25 years, to define the technical requirements to achieve the public meeting function of the hearing room and prepare documentation to procure bids from specialty contractors. The process included a value engineering effort just prior to requesting bids, which further refined and minimized the scope and estimated cost of the technical improvements. Once contract documents were prepared based on the value-engineered audio-visual system for the room, Salter recommended five A/V vendors in the Bay Area qualified to deliver the scope of work. As part of the bid process, the general contractor pursued the Minority and Women Owned business contracting goals for the project of 22% and 8%, respectively. The bid amounts were as follows:

|                          |           |
|--------------------------|-----------|
| Spinitar                 | \$207,500 |
| Andersen Audiovisual     | \$188,354 |
| Comp View                | \$169,105 |
| MCSI                     | \$168,277 |
| Integrated Media Systems | \$164,734 |

After all of the subcontractors were interviewed, it was felt that MCSI was best qualified, and the eventual value of their contract was reduced to the equivalent of the lowest bid. A certified Minority Business Enterprise performed the wire-pull scope of work as part of the MCSI team.

The Talking Signs are a requirement of the Mayors Office on Disability to augment the accessibility to public spaces for the visually impaired. At this time, there is only one manufacturer nationally and one local authorized installer for the required equipment.

Item 4 - Files 02-1876

**Note:** This item was continued by the Finance Committee at its meeting of December 18, 2002.

**Department:** Department of Administrative Services, Real Estate Division

**Item:** Resolution authorizing the exercise of an extension option at 875 Stevenson Street for various City departments.

**Location:** 875 Stevenson Street: a portion of the first floor, all of the second, third, fourth and fifth floors, 25 parking spaces, and basement storage space.

**Purpose of Lease**

**Extension:** Office space in the amount of 158,442 square feet, as detailed in Attachment I to this report, provided by the Real Estate Division, for the following City Departments and functions: Assessor – Payroll; Controller - Payroll and Personnel; Public Administration and Public Guardian –County Veterans Service; Department of Public Works (DPW) - Payroll, Accounting, Streets and Mapping; MUNI - Security, MIS and Payroll; Reproduction and Mail Services; and, PUC Utilities Engineering Bureau, 25 parking spaces and 3,000 square feet of basement storage for the Law Library.

**Lessor:** Western Mart Co., L.P. (Western Mart)

**Lessee:** City and County of San Francisco through the Real Estate Division

**Term of Lease**

**Extension:** Five years, commencing on December 1, 2002 and terminating on November 30, 2007 (see Comment No. 3).

**Additional**

**Right of Renewal:** On November 30, 2007, the City would have an option to extend the lease for (a) one six month period, and (b) two one year periods.

**Monthly and Annual**

**Rent Payable by  
the City to**

**Western Mart:** The monthly rent payable by the City to Western Mart for 158,442 square feet of office space, 25 parking spaces and 3,000 square feet of basement storage space at 875 Stevenson Street, would be \$290,477 or \$3,485,724 annually

**BOARD OF SUPERVISORS**

**BUDGET ANALYST**

(\$22.00 per square foot or approximately \$1.83 per square foot per month based on the 158,442 square feet of office space). This proposed rent of \$3,485,724 annually would remain the same during the entire five year lease extension. The existing rent is \$218,587 monthly or \$2,623,044 annually (\$16.55 per square foot). Therefore, the proposed lease extension represents an increase of \$862,680 annually (\$71,890 monthly) or 32.9 percent over the existing rent.

**Utilities and  
Janitorial  
Services:**

The City would continue to pay for the costs of electricity, janitorial services, and security guards. According to Mr. Larry Jacobson of the Real Estate Department, the City would pay approximately \$1,050,000 annually for electricity, DPW custodians, and Building and Grounds Patrol Officers. Attachment II to this report, provided by Mr. Jacobson, shows the annual budget for these services.

**Comments:**

1. According to Mr. Jacobson, all of the existing City department tenants would remain at 875 Stevenson Street, with the exception of the PUC Utilities Engineering Bureau which will relocate its offices from the third floor (32,000 square feet) at 875 Stevenson Street to 1155 Market Street before March 1, 2003. The Budget Analyst previously reported to the Finance Committee for a supplemental appropriation ordinance (File 02-1892) approved by the Board of Supervisors on November 25, 2002, that the Department of Aging and Adult Services (DAAS) will move into the third floor at 875 Stevenson Street by August of 2003.<sup>1</sup>

2. According to Ms. Monique Zmuda of the Controller's Office, City department tenants do not have the funds budgeted for the increased monthly rental costs during FY 2002-2003 from December 1, 2002 through June 30, 2003 of \$71,890 per month for seven months, or a total of \$503,230, in their approved FY 2002-2003 budgets. According to Mr. Ben Rosenfield of the Mayor's Budget Office, the Mayor's

---

<sup>1</sup> The PUC will pay for the relocation and improvement expenses of the DAAS, which will cost \$298,000 from funds appropriated in the supplemental appropriation (File 02-1892), and for four of the five months (March of 2002 through January of 2003) at the existing rent rate (\$759,942 annually, \$63,328.50 monthly), which will cost the PUC \$253,314 from funds approved in their FY 2002-2003 budget.

Office will not support a supplemental appropriation for such increased rental costs and will work with the applicable City departments to absorb such increased costs in their FY 2002-2003 budgets.

3. Mr. Jacobson advises that the Real Estate Department is bringing the subject resolution to the Board of Supervisors, after the existing lease expired on November 30, 2002, because the City and Western Mart only reached an agreement on November 21, 2002. Mr. Jacobson states that the City is not renting the space at 875 Stevenson Street on a month to month basis but is rather waiting for retroactive approval to reimburse Western Mart for December's rent payment under the terms of the proposed five year lease extension. The proposed resolution should therefore be amended to provide for retroactivity.

4. As explained in Attachment II to this report, Mr. Jacobson states that an independent appraiser, David Bohegian, determined the prevailing market rental rate at 875 Stevenson Street to be approximately \$1.83 per square foot per month (\$22.00 per square foot per year), or \$3,485,724 annually for the 158,448 square feet of office space which the City is leasing. Mr. Jacobson states that the Real Estate Department agrees that Mr. Bohegian's independent appraisal of the market rental rate of the property represents fair market value.

- Recommendations:** 1) In accordance with Comment No. 3, amend the subject resolution to provide for retroactivity.
- 2) Approve the subject resolution, as amended.

## 875 STEVENSON RENT ALLOCATION

Attachment I

| <i>Department</i>                       | <i>BOMA<br/>Area</i> | <i>Rent Per<br/>Sq. Ft.</i> | <i>Monthly<br/>Rent</i> | <i>Annual<br/>Rent</i> |
|-----------------------------------------|----------------------|-----------------------------|-------------------------|------------------------|
| Reproduction (1st)                      | 9,396                | 1.8333                      | 17,226                  | 206,708                |
| DTIS (1st, 5th)                         | 35,158               | 1.8333                      | 64,455                  | 773,462                |
| Assessor/Recorder (1st)                 | 9,934                | 1.8333                      | 18,212                  | 218,544                |
| Lobby                                   | 0                    |                             |                         |                        |
| Public Administrator (2nd)              | 1,030                | 1.8333                      | 1,888                   | 22,660                 |
| Muni (formerly Pub. Admin. Space)       | 12,248               | 1.8333                      | 22,454                  | 269,451                |
| Muni (2nd)                              | 8,873                | 1.8333                      | 16,267                  | 195,202                |
| Controller - PPSD (2nd & 3rd)           | 13,230               | 1.8333                      | 24,255                  | 291,055                |
| PUC (3rd)                               | 33,146               | 1.8333                      | 60,767                  | 729,199                |
| DPW (4th)                               | 33,700               | 1.8333                      | 61,782                  | 741,387                |
| Café (4th)                              |                      |                             |                         |                        |
| Storage (1st)                           | 1,727                | 1.8333                      | 3,166                   | 37,993                 |
| (Storage: Treasurer 50%, Human Ser. 30% |                      |                             |                         |                        |
| Retirement 10%, Controller 5%           |                      |                             |                         |                        |
| Purchaser 5%)                           |                      |                             |                         |                        |
|                                         |                      |                             |                         |                        |
| <b>Totals</b>                           | <b>158,442</b>       |                             | <b>\$290,472</b>        | <b>\$3,485,661</b>     |

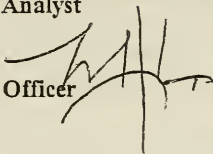
ATTACHMENT #1 RE: File 02-1876

*MEMORANDUM*

DATE: December 4, 2002

TO: Harvey Rose, Budget Analyst

FROM: Larry Jacobson  
Senior Real Property Officer



The following items are in response to your office's questions:

1. The reason that this resolution is being submitted to the Board of Supervisors after December 1, 2002 is that negotiations began in June 2002, and were not completed until November 21, 2002; too late to meet the December 1, 2002 deadline.
2. Paragraph 9 of the First Amendment of the lease describes the process for establishing an extension option rental rate; this process was used by the Mart (Landlord) and the City (Tenant). First it states "At the commencement of each Extended Term, the Rent shall be adjusted to equal ninety-five percent (95%) of the Prevailing Market Rate .....". The Amendment also includes a process for each party to hire an appraiser. If the appraisers' value is more than 10% apart, a third appraiser will be hired. The third appraiser will then average his value with the closer of the two previous appraisals. "This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the Prevailing Market Rate".

The 875 Stevenson Street Landlord's appraiser (Rhoades) recommended a \$26.50 per square foot rental rate, while the City's appraiser (Carneghi) set forth a rate of \$12.38 per square foot. The third appraiser (Bohegian) was hired by the City and the Landlord, and established a rate of \$22.00 per square foot.

If the City and the Landlord strictly followed the mechanism outlined in the lease, the Prevailing Market Rate would have been midpoint between the Rhodes appraisal (\$26.50) and the Bohegian appraisal (\$22.00) specifically \$24.25 per square foot. The City and the Landlord, however, agreed to accept the Bohegian rental rate of \$22.00, which is less than 95% of the \$24.25 (\$23.03). It was advantageous to the City to accept \$22.00 rather than 95% of \$24.25.

3. According to the terms of the lease, the City is obligated to lease the entire 158,442 square foot premises. The third floor of the subject building is presently occupied by the Public Utilities Commission staff. The staff will be moved to 1155 Market Street in the spring of 2003. The furniture, telephones and servers will remain in the leased space to be used by the next tenant: Department of Aging and Adult Services will move in as soon as is practical. Any large office move normally takes 60 to 90 days to have one tenant move out and a new tenant move in. The Real Estate Division anticipates that the time available will facilitate a smooth transition from PUC to DAAS.
4. The cost of security, janitorial / maintenance and electricity during the current fiscal year is as follows:

|             |               |
|-------------|---------------|
| Security    | \$264,000     |
| DPW/Maint.  | 701,000       |
| Electricity | <u>85,000</u> |
|             | \$1,050,000   |

Larry Jacobson 12/4/02

Memo to Finance Committee  
January 15, 2003 Finance Committee Meeting

Item 5 - File 02-1966

**Note:** This item was continued by the Finance Committee at its meeting of December 18, 2002.

**Department:** Fire Department

**Item:** Hearing to consider release of reserved funds, Fire Department's FY 2002-2003 budget, in the amount of \$322,277 for salaries of five existing training officers (three H-39 Training Captains and two H-43 EMS Training Section Chiefs).

**Amount:** \$322,277

**Source of Funds:** Reserved funds in the Fire Department's FY 2002-2003 budget, as finally approved by the Board of Supervisors.

**Description:** During its consideration of the Fire Department's budget for FY 2002-2003, the Board of Supervisors reserved six months of salary costs, in the amount of \$322,277, for the following five filled positions:

| Position                                               | Salary           |
|--------------------------------------------------------|------------------|
| 1 (0.5 FTE) H-39 In-Service Training Officer           | \$57,338         |
| 1 (0.5 FTE) H-39 H-3 Academy Officer                   | 57,338           |
| 1 (0.5 FTE) H-39 Firefighter Recruit Training Officer  | 57,338           |
| 1 (0.5 FTE) H-43 EMS In-Service Training Section Chief | 57,338           |
| <u>1 (0.5 FTE)</u> H-43 EMS Academy Section Chief      | 57,338           |
| 5 (2.5 FTE)                                            |                  |
| Variable Mandatory Fringe Benefits (11 percent)        | 35,587           |
| <b>TOTAL:</b>                                          | <b>\$322,277</b> |

The funds were reserved for the purpose of having the Fire Department report back to the Finance Committee by December 1, 2002 on its progress towards reorganizing its training functions to create an integrated Division of Fire and Medical Training, in accordance with Recommendations 1.4.1 to 1.4.3 of the Budget Analyst's

BOARD OF SUPERVISORS  
BUDGET ANALYST

January, 2002 Management Audit of the Fire Department (see Comment No. 2). These recommendations were approved by the Board of Supervisors Rules and Audits Committee during its extensive hearings on the Budget Analyst's Management Audit Report prior to the Budget Committee's consideration of the Mayor's Recommended FY 2002-2003 Fire Department budget. The Rules and Audits Committee recommended implementation of Management Audit Recommendations 1.4.1 to 1.4.3 to the Budget Committee. While stating that there would be no savings in FY 2002-2003, the Rules and Audits Committee noted that there would be future year savings. These future year savings are estimated to be \$159,374 annually in 2003 dollars.<sup>1</sup>

**Comments:**

1. As part of its comprehensive management audit of the Fire Department, the Budget Analyst's Office reviewed the Fire Department's training and education functions. The Budget Analyst's Office concluded in Section 1.4 of the Management Audit Report that:

- Fire Department training and education functions are currently spread across the Division of Training, the EMS Academy Section of the EMS Division, and the EMS In-service Training Section of the EMS Division.
- Structural and management fragmentation hinders integration of the Fire Department's fire suppression and emergency medical services responsibilities, complicates management accountability, creates the potential for unevenly applied training and education quality standards, and increases costs.

2. As a result of these findings, the Budget Analyst's Management Audit contained the following recommendations:

- Recommendation 1.4.1: Transfer the EMS Academy Section and the EMS In-service Training Section to a

---

<sup>1</sup> The projected annual savings of \$159,374 assume (a) January 4, 2003 pay rates, and (b) a total 16.8 percent mandatory fringe benefits rate.

renamed Division of Fire and Medical Training during FY 2002-2003.<sup>2</sup>

- Recommendation 1.4.2: Recruit widely for the new Director of Fire and Medical Training position, including advertising for a candidate with both fire suppression and emergency medical services training experience.
- Recommendation 1.4.3: Restructure the Division of Fire and Medical Training during FY 2002-2003 to integrate training and education functions for fire suppression and emergency medical services, and to reduce the number of staff reporting directly to the new Director of Fire and Medical Training position by FY 2003-2004.

3. The Budget Analyst's Management Audit Report stated that a reduction in the number of personnel reporting directly to the new Director of Fire and Medical Training should result in the elimination of five positions and the creation of four positions, as follows:

- Elimination of two Classification H-39 Fire Captain positions responsible for the H-3 Academy and firefighter recruit training, and elimination of one Classification H-43 EMS Academy Section Chief position. These three positions to be eliminated would be replaced by two positions: (a) one Manager, Cross-Training (who could be either Classification H-39 or Classification H-43), and (b) one Manager, Recruit and EMT Training (who could be either Classification H-39 or Classification H-43).
- Elimination of one Classification H-39 Fire Captain position responsible for in-service training, and elimination of one Classification H-43 EMS In-service Training Section Chief position. These two positions to be eliminated would be replaced by one position: the Manager, In-service Training (who could be either Classification H-39 or Classification H-43).<sup>3</sup>

---

<sup>2</sup> The dates contained in the Management Audit Report's recommendations have been updated in this report to the Finance Committee in order to accommodate the length of the review period between publication of the Management Audit Report, the public hearings held by the Rules and Audits Committee, and the budget review conducted by the Budget Committee.

<sup>3</sup> To meet Emergency Medical Services Agency (EMSA) requirements, the successful applicants for the three new Division of Fire and Medical Training management positions (the Manager, Cross Training; the Manager, Recruit and EMT Training; and the Manager, In-service Training) would need to hold a current paramedic, nursing, or medical license. If there are no appropriately qualified

- The teaching and education services currently provided by the EMS Academy Section Chief and the EMS In-service Training Section Chief should be provided by one new Classification H-33 Rescue Captain position.

As noted above, the estimated net personnel cost savings from eliminating five existing positions and creating four new positions would be \$159,374 annually.

Attachment I is an extract from the Budget Analyst's Management Audit Report which compares the current organization of the Fire Department's training functions, under two divisions, with the recommended organization of the Fire Department's training functions under an integrated Division of Fire and Medical Training.

4. By reducing the number of management positions which currently have overlapping areas of responsibility, and creating new management positions which integrate equivalent emergency medical and fire suppression training and education functions, the Budget Analyst's Management Audit determined that the more streamlined Division of Fire and Medical Training would:

- Adopt a more integrated and strategic approach to training and education.
- Develop clearer management accountabilities.
- Apply consistent training quality standards.
- Result in net estimated savings of \$159,374 annually in personnel costs.

5. In Attachment II, a November 27, 2002 memorandum to the Finance Committee requesting release of the subject reserves, the Fire Chief advises that the Fire Department has undertaken the following activities to consolidate emergency medical and fire suppression training:

---

cross-trained staff within the Fire Department to successfully fill these three new positions, the Management Audit recommended that the Fire Department advertise for appropriately qualified outside applicants.

- The Fire Department conducted its first combined emergency medical and fire suppression training module in September and November of 2002.
- The Director of Training is developing a master training schedule for 2003 which comprises a number of training modules combining emergency medical and fire suppression training.
- The Fire Department instituted a classroom reservation and scheduling procedure to coordinate the sharing of classroom space and equipment by both emergency medical and fire suppression training programs.
- The Director of Training instituted mandatory quarterly meetings for emergency medical and fire suppression training staff to promote training consolidation.
- The Fire Department established a centralized training database.
- The Director of Training is working with the Real Estate Division and the Mayor's Office of Economic Development to locate viable sites for a consolidated training facility to facilitate cross-training of emergency medical and fire suppression staff.

6. The Fire Department's November 27, 2002 memorandum to the Finance Committee (Attachment II) does not state what progress the Fire Department is making towards the structural reorganization recommended in the Budget Analyst's Management Audit Recommendations 1.4.1 to 1.4.3. Attachment III is a December 11, 2002 memorandum, provided by Deputy Chief Joseph Asaro of the Fire Department, which explains why the Fire Department is not implementing the Budget Analyst's recommendations in order to achieve an integrated Division of Fire and Medical Training by FY 2003-2004. According to Deputy Chief Asaro, the Fire Department:

- Supports integration and consolidation of all training and education functions under the current name of the Division of Training once a common training facility is

available instead of the current three training locations.

- States that “a pool of candidates with both fire and medical training does not exist from the rank of H-30 Captain which is used to fill the H-39 Training Captain positions or in the H-33 Paramedic Captain which is used to fill the H-43 Section Chief positions.” The Fire Department contends that the integrated Division of Training should support promotional opportunities for Fire Department staff who have the necessary experience in “site specific fire and emergency medical policies, procedures, and standards applicable to the San Francisco Fire Department.”
- Objects to a reduction in the number of officers responsible for in-service training.

7. In terms of the issues raised by the Fire Department in Attachment III, the Budget Analyst notes that:

- The Fire Department is not implementing the Budget Analyst’s Management Audit Recommendations 1.4.1 to 1.4.3 previously approved by the Rules and Audits Committee.
- Contrary to the Fire Department’s statement in Attachment III, the organizational restructuring of the Fire Department’s training and education functions is not dependent on relocation of all training functions to a single training facility. The Budget Analyst notes that the Fire Department was able to conduct its first combined emergency medical and fire suppression training module in September and November of 2002 despite not having a single training facility. An integrated training and education program can be provided from more than one facility.
- Despite having been responsible for providing emergency medical services since July 1, 1997, the Fire Department lacks a pool of appropriately cross-trained Classification H-39 Fire Captains and Classification H-43 EMS Section Chiefs, in terms of both (a) the present incumbents of those classifications, and (b) the staff who can act in those classifications or could promote to those classifications once the necessary Civil Service Commission certification rule has been adopted. Since July 1, 1997, the Fire Department has had five years in which

to ensure that its current and future training and education providers are appropriately cross-trained, but the Fire Department has failed to do so. According to Ms. Christine Ragan of the Fire Department, the approved emergency medical services merger plan never required the Fire Department to cross train Classification H-33 Rescue Captains. The Budget Analyst considers that cross-training of current and future Fire Department training and education providers, regardless of their classification, would provide role models to encourage more Fire Department staff to cross-train.

- While applicants for the Fire Department's training and education management positions from within the ranks of the Fire Department would have San Francisco Fire Department-specific and San Francisco site-specific knowledge, these attributes are not sufficient arguments against advertising outside of the San Francisco Fire Department for qualified cross-trained applicants and hiring them if they are more highly qualified. The Budget Analyst notes that:
  - (a) Both the Fire Chief and the Chief Financial Officer were appointed from outside the Fire Department.
  - (b) All non-management positions in the new Division of Fire and Medical Training would continue to be filled by their current incumbents. Most of these current staff have promoted up through the ranks of the San Francisco Fire Department.
  - (c) All training and education managers should be qualified to meet the Federal and State training requirements for emergency medical and fire suppression services which govern the San Francisco Fire Department's policies and procedures.
- The proposed reduction of one training and education manager is an efficiency made possible by reducing overlapping areas of responsibility. One of the Budget Analyst's recommendations is to create one new Classification H-33 Rescue Captain position to provide the teaching and education services currently provided by the EMS Academy Section Chief and the EMS In-service Training Section Chief.

BOARD OF SUPERVISORS

BUDGET ANALYST

8. According to Mr. Martin Gran of the City Attorney's Office and Ms. Alice Villagomez of the Department of Human Resources, pursuant to the meet and confer provisions contained in State law, the City Charter, the Administrative Code's Employee Relations Ordinance, and the City's Memorandum of Understanding with Local 798, the Fire Department has the right to:

- (a) Restructure the Fire Department's training and education functions, although a new organizational structure is subject to a meet and confer process on the restructuring's impacts.
- (b) Hire appropriately qualified applicants from outside the Fire Department, subject to a meet and confer process which considers reduced promotional opportunities for existing staff, workload impacts, and changed access to overtime.

When recommending approval of Management Audit Recommendations 1.4.1 to 1.4.3, the Rules and Audits Committee was fully aware of the Fire Department's need to meet and confer with the Firefighters Union over the impacts of the recommended restructuring. The Rules and Audits Committee specifically directed the Fire Department to do everything necessary with respect to its meet and confer obligations in order to implement Management Audit Recommendations 1.4.1 to 1.4.3.

9. Although Ms. Ragan states that displaced Fire Department employees would result in lay-offs where the ranks are filled, the Budget Analyst concludes unqualifiedly that no current Fire Department employees would need to be laid off as a result of restructuring the Fire Department's training and education functions. In FY 2002-2003 the Fire Department has 1,926.24 FTE positions, of which the five positions presently on reserve represent approximately 0.26 percent. Therefore, any current training and education managers who are not appropriately qualified for the new training and education manager positions would, as uniformed staff, be eligible for reassignment to the Fire Department's daily minimum staffing requirements for emergency medical or fire suppression services.

10. Attachment IV is a December 26, 2002 letter from Chief Trevino to Mr. John Hanley, President of the San Francisco Firefighters Local 798 regarding the subject release of reserves. Chief Trevino states that "if the Finance Committee denies the Department's request, those five positions will be eliminated and replaced with three new Division of Fire and Medical Training management positions." As stated in the Budget Analyst's 30 December, 2002 letter to Chief Trevino (Attachment V):

Recommendations 1.4.1 and 1.4.3, contained in the Budget Analyst's January, 2002 Management Audit Report of the Fire Department, as previously approved by the Board of Supervisors Rules and Audits Committee, recommended that the management structure for a new integrated Division of Fire and Medical Training be instituted during FY 2002-2003, so that the new integrated Division would be in place by July 1, 2003. Therefore, if the Finance Committee were not to approve the proposed release of reserves at its January 15, 2003 meeting, the Fire Department would still have approximately six months in which to restructure its current training and education functions into the new integrated Division and to recruit for appropriately cross-trained training and education managers.

Once the Finance Committee is satisfied that a carefully planned restructuring and recruitment process is underway, the Finance Committee could still release the reserved funds during the balance of FY 2002-2003. Until the Finance Committee releases those funds, the Fire Department will need to pay for training and education officer salaries from elsewhere in the Fire Department's budget. The Fire Department must continue to provide emergency medical and fire suppression training and education which complies with ongoing Federal, State, and local regulatory requirements during the balance of FY 2002-2003. The number of training and education officers used to perform those functions during the balance of FY 2002-2003 is a management decision for the Fire Department.

The Budget Analyst's Management Audit Report does not recommend that the existing five training and education positions "be eliminated and replaced by three new Division of Fire and Medical Training management positions" immediately. Such a replacement, and the establishment of one new Classification H-33 Rescue Captain position to perform emergency medical training and education, for a total of four new positions, should only occur within the context of a carefully planned restructuring and recruitment process.

11. As stated in the Budget Analyst's Management Audit Report Transmittal Letter (pages 5 and 6):

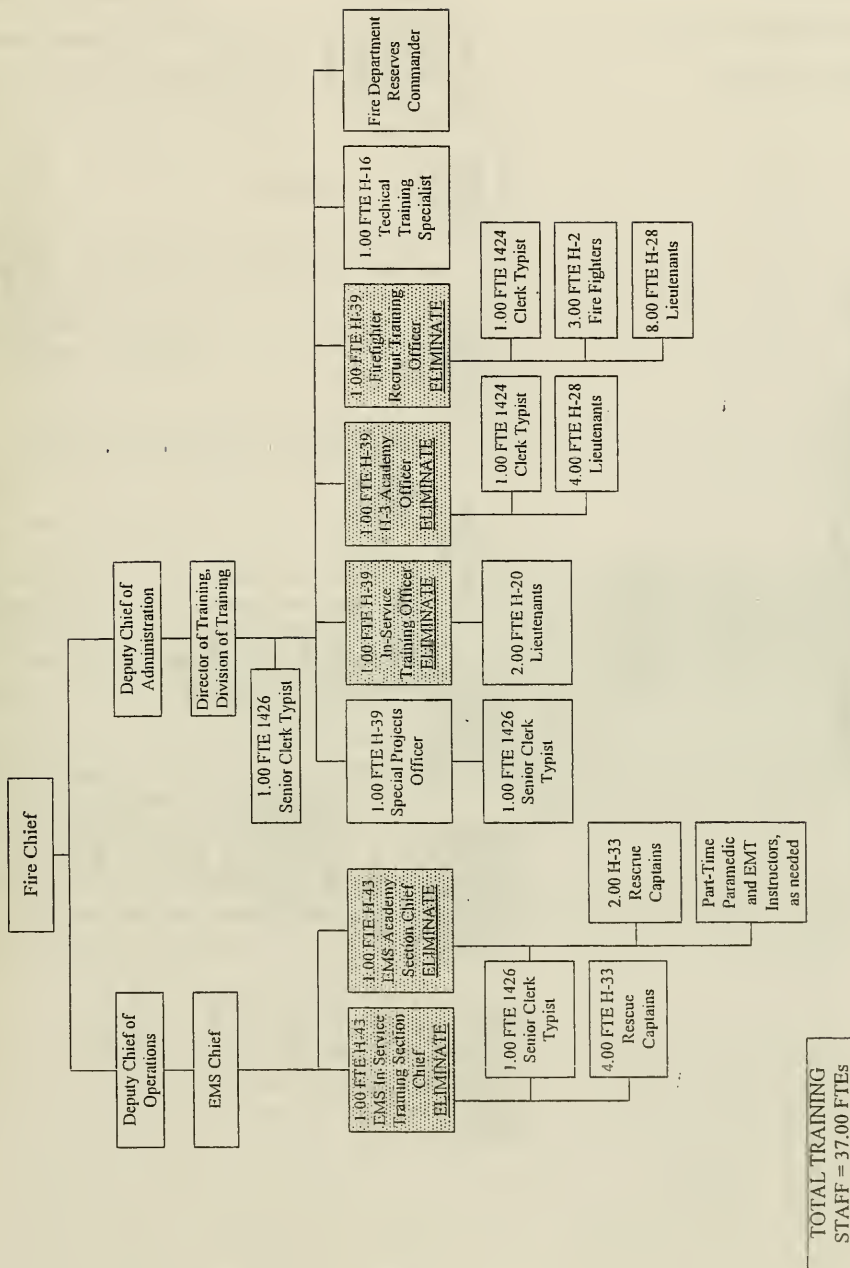
As the Department moves forward, the lack of meaningful integration of its two principal functions [emergency medical and fire suppression services] will continue to hamper its organizational effectiveness. For example, ... many more resources are devoted to the Department's fire suppression-focused Division of Training than to its training sections within the EMS Division, even though 70 percent of the Department's workload is emergency medical services related.<sup>4</sup> This reflects both a strategic and a training failure, and is likely to reinforce some of the cultural friction between fire suppression and EMS staff that surfaced during our study.

**Recommendation:** Disapprove release of the subject reserved funds until the Fire Department provides the Finance Committee with a plan for the structural reorganization of its training and education functions in FY 2003-2004, as recommended by the Budget Analyst's Management Audit Report Recommendations 1.4.1 to 1.4.3, and as recommended by the Rules and Audits Committee of the Board of Supervisors.

---

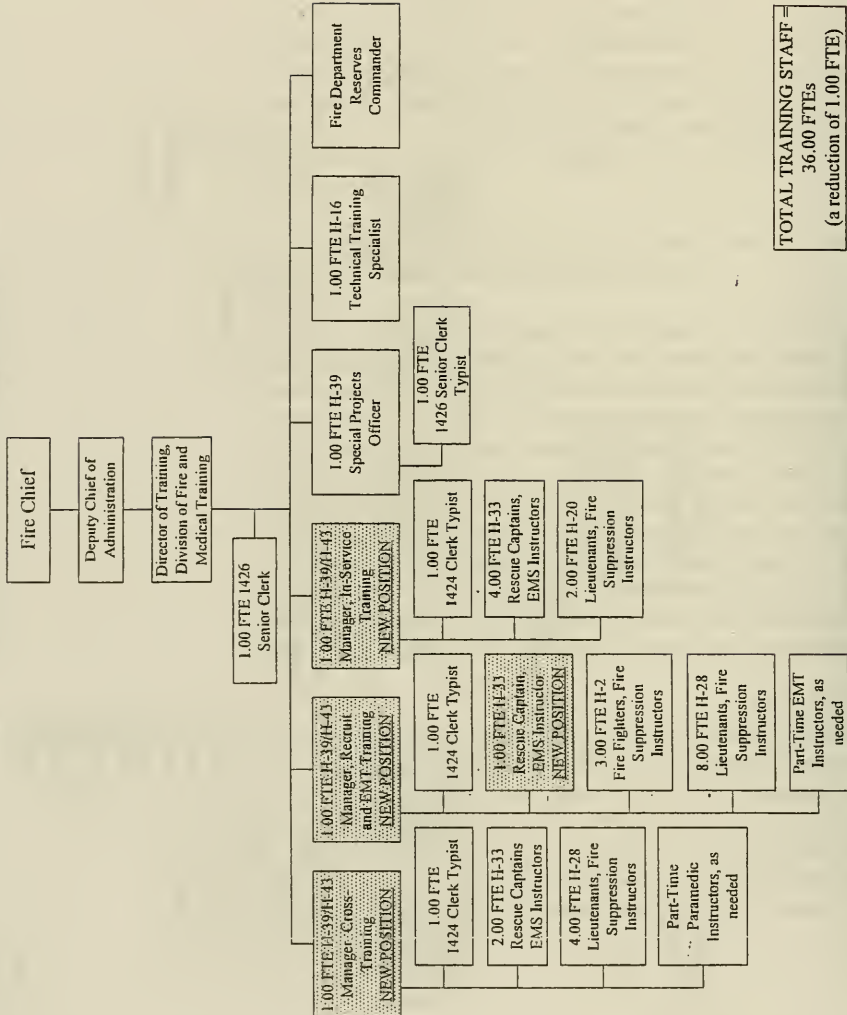
<sup>4</sup> For example, the current Division of Training has 26 staff under the Director of Training, while the two EMS sections responsible for emergency medical services training and education have only nine staff under the EMS Chief, plus part-time paramedic and EMT instructors as needed. Ms. Ragan states that over 50 percent of the Fire Department's training hours are related to emergency medical services. Therefore, over half of the training and education hours are being provided by fewer than half of the available training and education staff.

# Current Organization of Fire Department Training Functions: EMS Division and Division of Training



Office of the Budget Analyst

**Proposed Organization of Fire Department Training Functions:  
Division of Fire and Medical Training**



Mario H. Treviño, Chief of Department  
Bernie F. Lee, Acting Deputy Chief of Operations  
Joseph C. Asaro, Deputy Chief of Administration



698 SECOND STREET  
SAN FRANCISCO, CA 94107-2015  
Telephone: (415) 558-3400

November 27, 2002

Supervisor Aaron Peskin, Chair Finance Committee  
City Hall Room  
1 Carlton B. Goodlett Place  
San Francisco, CA 94107

**Re: Release of Reserves for Training Officers**

Dear Supervisor Peskin:

The San Francisco Fire Department respectfully requests the release of salaries for five training officers. The salaries for three H-39 Training Captains and two H-43 EMS training Section Chiefs for the second half of fiscal year 02-03 were placed on reserve with the recommendation that a report be submitted to the Finance Committee detailing the progress on our efforts and plans to consolidate fire and medical training.

These positions provide the medical and fire training needed to fulfill the mission of the Fire Department in saving lives and property. Training is one of the most important aspects of any modern Fire Department. As such, the Department has implemented the following procedures as *standard practice* in the management of *all* training functions:

1. Coordination and scheduling of all training programs, including emergency medical training, are developed and approved by the Director of Training. In conjunction with all training personnel, the Director of Training is developing the master training schedule for 2003.

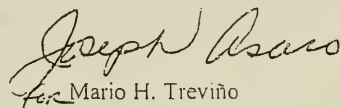
As part of this effort, the first combined emergency medical and fire suppression training (Module 10) was conducted in September at the Treasure Island Training Facility. This training involved the management of a multi-casualty incident at a live fire scenario. The use of the Incident Command System (ICS) at a multidisciplinary event was reviewed and practiced. This highly successful training module was held as a cooperative effort by fire and medical training personnel, and several joint training modules will be scheduled as part of the annual training cycle. Additionally, a large scale disaster drill was conducted at Candlestick Park on Saturday, November 2<sup>nd</sup>, as a follow-up to the joint training. This major drill involved 1000 community volunteers. This joint emergency medical and fire-suppression training operation was the first of its kind in San Francisco.

2. A classroom reservation and scheduling procedure has been instituted which permits fire and medical training programs to share classroom space and equipment. As an example, during October and November of this year, the training requirements of the Department have greatly exceeded the available training space at all three training sites. The collaboration and coordination between the fire and medical training staff permitted the Department to overcome a serious classroom scheduling impasse.
3. The Director of Training has instituted mandatory quarterly staff meetings in an effort to have all training personnel work collaboratively towards consolidation. These meetings will forge relationships initially and promote a shared base of knowledge and experience amongst medical and fire suppression instructors. Eventually, the training staff will receive joint staff development in such matters as the creation of cross-disciplinary training programs based on modern adult learning methods including behavioral objectives, interactive training, and use of medical and firefighting materials.
4. The Department has established procedures regarding the maintenance of all training records including suppression, medical, and technical rescue. Training personnel at all three sites have received instruction in the use and management of the centralized training database.

The implementation of a new training facility comprises the third phase of the Department's plan. The Director of Training has made a concerted effort to work with the Department of Real Estate and the Mayor's Office of Economic Development to locate viable sites for a consolidated training facility. The physical separation of the Department's training facilities and the continued need to crosstrain all members of the training staff represent challenges in coordinating emergency medical and fire suppression training. Furthermore, the proposed development of Treasure Island does not include the existing live burn facility, which further emphasizes the need to identify a consolidated fire and emergency medical training facility.

The Department remains committed to providing high quality training for its members and the best possible service to the community we serve. The release of training staff salaries will permit us to continue in this endeavor. Your assistance in this matter is gratefully appreciated.

Sincerely,

  
for Mario H. Treviño  
Chief of Department

CC: Ben Rosenfield, Mayor's Office of Finance and Legislative Affairs  
Gloria Young, Clerk of the Board  
San Francisco Fire Commission  
Harvey Rose, Budget Analyst

CITY AND COUNTY OF SAN FRANCISCO  
SAN FRANCISCO FIRE DEPARTMENT

Mario H. Treviño, Chief of Department

Bernie F. Lee, Acting Deputy Chief of Operations

Joseph C. Asaro, Deputy Chief of Administration



698 SECOND STREET

SAN FRANCISCO, CA 94107-2015

Telephone: (415) 558-3400

December 11, 2002

Supervisor Aaron Peskin, Chair Finance Committee  
City Hall Room  
1 Carlton B. Goodlett Place  
San Francisco, CA 94107

**Re: Release of Reserves for Training Officers**

Dear Supervisor Peskin:

The Department supports integration and consolidation of all training and education functions whenever possible. As such, the Department has outlined a three phase plan for integration of all training and relocation at a common site in previous audit responses which maintains the current name of the Division of Training and supports promotional opportunities for members of the Department.

Training is one of the most critical functions of fire and emergency medical services, and the Department requires all of its existing training resources to meet its goal of improving and expanding training programs over the next several years.

A clear indication of the progress obtained by the Department is the deployment of 18 advance life support (ALS) engine companies. In February 2003, the number of ALS engines will expand to 25, further blending fire and emergency medical operations and improving service to the citizens of the City and County of San Francisco.

The audit suggests the number of training officers responsible for in-service training be reduced which would severely impact the effective development and implementation of fire and medical training activities. Both fire and medical services officers often participate in various committees both within and outside of the Department that require specific expertise. These officers attend professional training programs, conduct performance reviews, meet with students, review class evaluation forms, and schedule instructors. Combining training functions does not reduce the amount of this activity.

With the anticipated retirements of approximately 14% of our uniformed employees over the next three years, the need for a fully staffed Training Division is of paramount importance. The salaries for three H-39 Training Captains and two H-43 Training Section Chiefs for the second half of fiscal year 2002-2003 were placed on reserve with the recommendation that a report be submitted to the Finance Committee detailing the progress on our efforts and plans to consolidate fire and medical training.

The letter dated November 27, 2002 to the Finance Committee outlined the progress the Department has made in combining fire and medical training. It remains the Department's goal to combine medical and fire training at one location. Currently training is provided at three separate locations:

- 19<sup>th</sup> & Folsom – Fire suppression training for new hires, Haz Mat recertification, and a 7 story fire training tower for probationary members and In-service training
- Presidio – Emergency medical training, certification and recertification
- Treasure Island – Live burn training, specialized training (i.e. search and rescue, engine and truck drills, roof ventilation drills), wild land training, and required maritime training

Last fiscal year, the Fire Department conducted 106,021 hours of training at these three sites. That averages to 21,204 hours of training managed by the existing 5 training positions whose salaries are on reserve. These numbers do not include the hours to supervise and participate in the development, implementation and evaluation of training programs, continuing education, policies, curriculum and activities, and coordinating and implementing changes to training modules as required by local, state or federal law as well as change in safety standards. They are required to ensure that all training is properly tracked and a data base of training is maintained to ensure compliance to mandates and standards.

The H-39 Training Captains require expertise, experience and knowledge of fire suppression. These positions coordinate and supervise all Department training activities, prepare training curriculum and documentation, maintain and review all training records, identify and assess current and future training needs, and assist with research and design and development of specialized workshops, seminars and orientation programs. The H-43 Training Section Chiefs require experience in medicine and the management of an adult educational program. These positions require extensive field experience as a paramedic and the paramedic academy curriculum is entirely medical in nature.

In summary, the duties and responsibilities of the H-39 Captains and the H-43 Training Section Chiefs include but are not limited to the following:

- H-39      Recruit Training Officer  
Responsible for oversight of H-2 Firefighter Recruit Academy, monthly evaluations of Probationary Field Training; coordination support and evaluation of San Francisco Fire Department Reserves
- H-39      In-Service Training Officer  
Responsible for oversight of In-Service Training of all uniformed members of the San Francisco Fire Department; provides on-going training and evaluation of front line firefighters, officers, companies and units.
- H-39      H-3 Academy Officer/Treasure Island Training Facility Coordinator  
Responsible for oversight of H-3 Firefighter/Paramedic Academy and monthly evaluations of Probationary Field Training; Coordinator of all activities at the Treasure Island Training Facility including tracking and scheduling all activities, oversight of fee schedule and assistance with oversight of maintenance contract.
- H-43      Section Chief - In-Service Training Section  
Coordinates and implements all manner of medical training for the 1,880 members of the Department. Directs a continuous cycle of training designed to provide all required medical training of paramedics, EMT's and First Responders mandated by local, state, and federal regulations. Manages an aggressive program that provides and tracks over 25,000 hours of training annually. This individual protects the legal authority of the Department to provide emergency medical care to the community by maintaining the licensure and certification of all its employees.
- H-43      Section Chief - EMS Academy  
Responsible for all new emergency medical training including the H-2 probationary EMT class, the Paramedic Training Program, training for paramedic preceptors, preparation for the National Registry Paramedic examination, EMT-ambulance training, and houses all material as a training center for American Heart Association (AHA). The AHA certifications in CPR and ACLS are mandated for all members in the Department.

A recommendation was made in the audit report to require that all training officers possess a current paramedic, nursing or medical license. However, a pool of candidates with both fire and medical training does not exist from the rank of H-30 Captain which is used to fill the H-39 Training Captain positions or in the H-33 Paramedic Captain which is used to fill the H-43 Section Chief positions. Hence, the

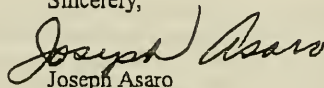
only way to implement the audit recommendation would be to recruit from outside the Department. This would not only trigger meet and confer with Fire Fighters Local 798 but would also be detrimental as members from the outside would not be experienced and knowledgeable in site specific fire and emergency medical policies, procedures, and standards applicable to the San Francisco Fire Department.

Emergency medical and fire suppression instructors bring a great deal of knowledge and experience in their respective disciplines but lack cross over experience at this time. Recent efforts by the Division of Training to coordinate the existing, highly-experienced training staff has accomplished, in large part, the goal and spirit of integrating SFFD training functions.

In the future, as outlined in the Department's three phase plan, greater cross over training for employees will create an internal pool of resources and provide opportunities for employees to progress and promote in the Department to these positions.

The need for continued high quality training with adequate and appropriate staffing is evident. Training cannot be compromised because it so directly impacts the ability to deliver quality service, a safe working environment and the fulfillment of our Mission Statement.

Sincerely,



Joseph Asaro

Deputy Chief of Administration

cc: Mario H. Treviño, Chief of Department  
Ben Rosenfield, Mayor's Office of Finance and Legislative Affairs  
Gloria Young, Clerk of the Board  
San Francisco Fire Commission  
Harvey Rose, Budget Analyst

CITY AND COUNTY OF SAN FRANCISCO  
SAN FRANCISCO FIRE DEPARTMENT

Attachment IV  
Page 1 of 2

io H. Treviño, Chief of Department

mond R. Balzarini, Deputy Chief of Operations

ph C. Asaro, Deputy Chief of Administration



698 SECOND STREET

SAN FRANCISCO, CA 94107-2015

Telephone: (415) 558-3400

December 26, 2002

John Hanley  
President  
San Francisco Firefighters Local 798  
1139 Mission Street  
San Francisco, CA 94103

Dear Mr. Hanley:

On January 15, 2003, the Fire Department will have a hearing before the Finance Committee to consider the release of reserve funds, Fire Department fiscal year 2002-2003 budget, for the salaries of five training officers (three H-39 Training Captains and two H-43 EMS Training Section Chiefs). The purpose of this letter is to give you an update as to the possible actions that the Finance Committee may take on January 15, 2003.

As we understand it, if the Finance Committee denies the Department's request, those five positions will be eliminated and replaced with three new Division of Fire and Medical Training management positions. In addition, the Budget Analyst's Office recommends that these newly created positions hold a current paramedic, nursing, or medical license.

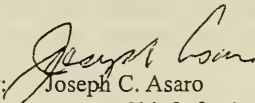
As stated in the report from the Budget Analyst's Office, pursuant to the meet and confer provisions contained in State law, the City Charter, the Administrative Code's Employee Relations Ordinance and the City's Memorandum of Understanding with Local 798, the Fire Department has the right to:

- Restructure the Fire Department's training and education functions, although a new organizational structure is subject to meet and confer process on the impacts of the restructuring;
- Hire appropriately qualified applicants from outside the Fire Department, subject to meet and confer over impact, which may include reduced promotional opportunities for existing staff, workload impacts and safety.

Should the release of reserves be denied, the Department will be contacting Local 798 at that time to make arrangements to begin the meet and confer process.

Very truly yours,

MARIO H. TREVIÑO  
Chief of Department

By:   
Joseph C. Asaro  
Deputy Chief of Administration

cc:

Harvey Rose, Budget Analyst's Office  
Aaron Peskin, Finance Committee Chair  
Chris Daly, Finance Committee Member  
Sophie Maxwell, Finance Committee Member  
Tony Hall, Rules and Audit Committee Chair  
Alice Villagomez, DHR/ERD

CITY AND COUNTY



OF SAN FRANCISCO

## BOARD OF SUPERVISORS

BUDGET ANALYST

1390 MARKET STREET, SUITE 1025

SAN FRANCISCO, CALIFORNIA 94102 • TELEPHONE (415) 554-7642

December 30, 2002

Mario H. Trevino  
Chief of Department  
San Francisco Fire Department  
698 Second Street  
San Francisco, CA 94107-2015

Dear Chief Trevino,

Thank you for a copy of your December 26, 2002 letter to Mr. John Hanley, President of San Francisco Firefighters Local 798, which was signed by Deputy Chief Asaro. We wish to clarify the second paragraph of your letter where you state that "... if the Finance Committee denies the Department's request, those five positions will be eliminated and replaced with three new Division of Fire and Medical Training management positions."

Recommendations 1.4.1 and 1.4.3, contained in the Budget Analyst's January, 2002 Management Audit Report of the Fire Department, as previously approved by the Board of Supervisors Rules and Audits Committee, recommended that the management structure for a new integrated Division of Fire and Medical Training be instituted during FY 2002-2003, so that the new integrated Division would be in place by July 1, 2003. Therefore, if the Finance Committee were not to approve the proposed release of reserves at its January 15, 2003 meeting, the Fire Department would still have approximately six months in which to restructure its current training and education functions into the new integrated Division and to recruit for appropriately cross-trained training and education managers.

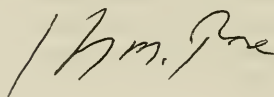
Once the Finance Committee is satisfied that a carefully planned restructuring and recruitment process is underway, the Finance Committee

Mario H. Trevino  
Chief of Department  
San Francisco Fire Department  
December 30, 2002  
Page 2

could still release the reserved funds during the balance of FY 2002-2003. Until the Finance Committee releases those funds, the Fire Department will need to pay for training and education officer salaries from elsewhere in the Fire Department's budget. The Fire Department must continue to provide emergency medical and fire suppression training and education which complies with ongoing Federal, State, and local regulatory requirements during the balance of FY 2002-2003. The number of training and education officers used to perform those functions during the balance of FY 2002-2003 is a management decision for the Fire Department.

The Budget Analyst's Management Audit Report does not recommend that the existing five training and education positions "be eliminated and replaced by three new Division of Fire and Medical Training management positions" immediately. Such a replacement, and the establishment of one new Classification H-33 Rescue Captain position to perform emergency medical training and education, for a total of four new positions, should only occur within the context of a carefully planned restructuring and recruitment process.

Respectfully submitted,



Harvey M. Rose  
Budget Analyst

Deputy Chief Joseph Asaro, Fire Department  
Mr. John Hanley, President, San Francisco Firefighters Local 798  
Supervisor Aaron Peskin, Chair, Finance Committee  
Supervisor Chris Daly, Vice-Chair, Finance Committee  
Supervisor Sophie Maxwell, Finance Committee  
Supervisor Tony Hall, Chair, Rules and Audits Committee  
Supervisor Matt Gonzalez, Vice-Chair, Rules and Audits Committee  
Ms. Alice Villagomez, Department of Human Resources

Item 6 – File 02-1984

**Department:** Department of Public Health (DPH)

**Item:** Resolution authorizing the Department of Public Health (DPH) AIDS Office to accept and expend retroactively the second year of a grant in the amount of \$650,000 from the U.S. Department of Health and Human Services (HHS) Office of Minority Health to improve AIDS related health outcomes for women and minorities and authorizing the DPH to enter into an agreement with HHS for the use of these funds; for the period of September 30, 2002 to September 29, 2003.

**Amount:** \$650,000

**Grant Period:** September 30, 2002 to September 29, 2003 (One year, see Comment No. 1)

**Source of Funds:** U.S. Department of Health and Human Services (HHS), Office of Minority Health

**Required Match:** None

**Indirect Costs:** \$12,133 (16% of total personnel costs of \$75,823)

**Description:** The U.S. Office of Minority Health awarded the DPH the subject \$650,000 grant to improve survivor rates for minority women, transgender individuals, youth, African-American men and monolingual Latinos with HIV/AIDS, by increasing access to health care and eliminating disparities in access to care. The subject grant would provide HIV treatment and advocacy and health care, at four locations in San Francisco: (1) Dolores Street Community Services, (2) Mission Neighborhood Health Center, (3) San Francisco General Hospital Medical Center and (4) the University of California – San Francisco Positive Health Practice.

**Budget:** The proposed budget for the subject grant totaling \$650,000 is shown in Attachment I, provided by the DPH.

**Comments:** 1. The subject grant period began on September 30, 2002, and the proposed resolution provides for retroactive

acceptance and expenditure of these funds. Ms. Brenda Walker of the DPH advises that the proposed resolution is coming before the Board of Supervisors only now, over three months after the grant period began, because of administrative delays. Ms. Walker advises that no funds from the subject grant have been accepted or expended. Therefore, the proposed resolution should be amended to remove retroactivity. Ms. Walker also advises that the DPH has not received authorization from the U.S. Office of Minority Health to extend the grant period beyond September 29, 2003.

2. Ms. Walker states that the subject grant, during the second year of a two-year grant, would fund four contracts, each to be awarded on a sole source basis based on the contractors' expertise and the contractors' participation in the first year of this two-year grant. As shown in Attachment I, contractual services total \$562,044 of the total grant amount of \$650,000.

A contract of \$65,850 would be awarded to Dolores Street Community Services, a nonprofit agency. Ms. Michelle Long-Dixon of the DPH reports that this \$65,850 contract would provide outreach and referral services to Latino men accessing their shelter services.

Ms. Long-Dixon advises that a \$70,440 contract would be awarded to the Mission Neighborhood Health Center, a nonprofit agency, to provide outreach to Latinos, provide increased HIV testing and counseling services and support HIV treatment adherence.

The University of California – San Francisco (UCSF) would be awarded a \$158,556 contract to augment their comprehensive multidisciplinary primary care services for African-American men with outreach, treatment advocacy and case management services in UCSF's Men of Color Program.

Ms. Long-Dixon also reports that DPH would enter into a \$267,198 Memorandum of Understanding (MOU) with San Francisco General Hospital to support its outpatient HIV clinic and to increase efforts in adherence, prevention and outreach to the HIV-infected.

Attachment II, provided by the DPH, provides explanations and budget details to support each of these contracts.

Attachment III, provided by the DPH, contains budget details for the first year of the subject grant (September 30, 2001 through September 29, 2002, with extension to December 31, 2002), which totaled \$1,105,000.

3. The subject grant funds a .30 FTE Director position and a .40 FTE Health Program Coordinator position. According to Mr. James Alexander of DPH these two positions totaling .70 FTE are currently "G" coded, or grant-funded positions that would terminate when the subject grant expires. Further, the proposed resolution requests that these .70 FTE positions continue to be "G" coded. According to Ms. Walker, the .30 FTE Director, HIV Health Services position is responsible for the management, planning, and day-to-day operations of the DPH HIV Health Services. Ms. Walker also reports that the other position, a .40 FTE Health Program Coordinator III position, is responsible for developing and implementing program services as well as serving as a liaison between the DPH and contractors.

4. Attachment IV is the Grant Information Form, provided by the DPH, which includes the Disability Access Checklist. The Grant Information Form states that \$562,035 has been budgeted for contractual services. However, as previously noted in Attachment I and as reported by Ms. Walker, the correct amount budgeted for contractual services is \$562,044.

**Recommendations:**

1. In accordance with Comment No. 1, amend the proposed resolution by deleting the word "retroactively" in lines 4 and 18 on page one of the proposed resolution.
2. Approve the proposed resolution, as amended.

San Francisco Department of Public Health (SFPDH)  
AIDS Office  
HIV Health Services Section

HIV CARE AND RELATED SERVICES FOR WOMEN AND MINORITIES  
BUDGET JUSTIFICATION  
(September 30, 2002 – September 29, 2003)

**A. PERSONNEL**

**B. MANDATORY FRINGE**

- |    |      |                                              |          |
|----|------|----------------------------------------------|----------|
| 1. | 0.30 | Director, HIV Health Services: M. Dixon, MPH |          |
|    |      | Annual Salary                                | \$28,720 |
|    |      | Mandatory Fringe Benefits @ 25.00% =         | \$7,180  |
|    |      |                                              | \$35,901 |

This position is responsible for the management, planning, and day-to-day operations of SFPDH HIV Health Services. The Director oversees the activities of and provides direction to the overall Program including reviewing contract status, progress and monitoring reports, budget requests and other administrative functions.

- |    |      |                                           |          |
|----|------|-------------------------------------------|----------|
| 2. | 0.40 | Health Program Coordinator III: J. Cecere |          |
|    |      | Annual Salary                             | \$29,368 |
|    |      | Mandatory Fringe Benefits @ 25.00% =      | \$7,342  |
|    |      |                                           | \$36,710 |

This position is responsible for the development and implementation of Program services. This position will provide programmatic oversight and monitoring of primary care and integrated services programs. Serves as liaison between contractors and SFPDH. Performs program monitorings and progress reports, monitoring contractor performance.

- |    |                                                                                                                                                                                                              |  |         |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---------|
| 3. | COLA/STEP increases:                                                                                                                                                                                         |  |         |
|    | The salary expenditures are based on the rates per job classification and Labor Union Agreements. The cost for COLA and Step Increases are as follows: COLA @ 3% = \$1,785 and Step Increases @ 5% = \$1,428 |  |         |
|    |                                                                                                                                                                                                              |  | \$3,213 |

|                  |          |
|------------------|----------|
| Total Personnel: | \$75,823 |
| Total Salaries   | \$61,301 |
| Total Fringe     | \$14,522 |

|                            |                 |
|----------------------------|-----------------|
| <b>PERSONNEL SUBTOTAL:</b> | <b>\$75,823</b> |
|----------------------------|-----------------|

|                  |            |
|------------------|------------|
| <b>C. TRAVEL</b> | <b>\$0</b> |
|------------------|------------|

|                                                                                                                                    |                  |
|------------------------------------------------------------------------------------------------------------------------------------|------------------|
| <b>D. EQUIPMENT</b>                                                                                                                | <b>\$0</b>       |
| <b>E MATERIALS AND SUPPLIES</b>                                                                                                    | <b>\$0</b>       |
| <b>F. CONTRACTUAL</b>                                                                                                              |                  |
| <u>Dolores Street Community Services</u><br>HIV Peer Advocacy Program                                                              | \$65,850         |
| <u>Mission Neighborhood Health Center</u><br>Outreach; HIV Counseling, Testing, & Referral; and Treatment Advocacy                 | \$70,440         |
| <u>San Francisco General Hospital Medical Center</u><br>Increased Efforts in Adherence, Prevention, & Outreach to the HIV-Infected | \$267,198        |
| <u>UCSF Positive Health Practice (Men)</u><br>Men of Color Program - Outreach, HIV Treatment & Peer Advocacy                       | \$158,556        |
| <b>CONTRACTUAL SUBTOTAL:</b>                                                                                                       | <b>\$562,044</b> |
| <b>G. OTHER</b>                                                                                                                    | <b>\$0</b>       |
| <b>TOTAL DIRECT EXPENSES:</b>                                                                                                      | <b>\$637,867</b> |
| <b>H. INDIRECT COSTS (16% of total modified direct costs)</b>                                                                      | <b>\$12,133</b>  |
| <b>TOTAL BUDGET:</b>                                                                                                               | <b>\$650,000</b> |

Dolores Street Community Services  
HIV Care and Related Services for Women and Minorities Grant  
(September 30, 2002 – September 29, 2003)

## BUDGET JUSTIFICATION

Direct Expenses

## Salaries &amp; Benefits:

Peer Counselor: (Vacant) – responsible for creating and maintaining on site health outreach, education, case management program targeting Latino mono and bilingual men who have sex with men who are homeless.

Salary: 1 FTE = \$ 35,000  
Benefits: 28 % of Salary = \$9,800

Total Salaries & Benefits \$ 44,800

EQUIPMENT / COMPUTER SUPPLIES - Funds are requested to purchase one desk top computer and printer which will be located at 938 Valencia which will be used to perform data entry of client information for internal tracking purposes and government reporting. This computer will have internet access to obtain resources for clients; computer paper, & toner.

One Computer - \$ 650  
One Printer - \$ 100  
Computer Supplies - \$ 20.83 x 12 mos. \$ 250 \$ 1,000

PROGRAM SUPPLIES - Funds are requested to purchase safer sex educational materials, posters, special activity supplies, etc.

Supplies - \$ 83.33 x 12 mos. \$ 1,000

OFFICE SUPPLIES - Funds are requested to purchase office supplies to implement program. Such supplies include: easels, markers, paper pad, and appointment cards.

Supplies - \$ 41.67 x 12 mos. \$ 500

FOOD & BEVERAGES FOR GROUP - Funds are requested to purchase bottled water, soda and extra food for group meetings.

Food - \$ 83.33 x 12 mos. \$ 1,000

OUTREACH MATERIALS / TRANSLATION SERVICES – Expenses to be used for program materials to be printed, copied and translated in any language as needed.

Printing, copying and translate materials \$ 166.67 x 12 mos. \$ 2,000

CONFERENCE AND TRAVEL – These funds will be utilized for one staff for trips to any educational training needed for the program. We may also need to pay travel expenses for start up consultant.

|                          |          |                 |
|--------------------------|----------|-----------------|
| Local Travel Costs:      | \$ 500   |                 |
| Out of town travel costs | \$ 1,000 | \$ <u>1,500</u> |

CLIENT TRANSPORTATION – These expenses will be used to purchase bus passes, gas for the van, or any other means of transportation for clients to travel to clinic sites or to meet with the peer counselor and study participants, etc.

|                                           |               |
|-------------------------------------------|---------------|
| Local Transportation - \$ 41.67 x 12 mos. | \$ <u>500</u> |
|-------------------------------------------|---------------|

POSTAGE - These funds will be used for postage to implement the program.

|                              |               |
|------------------------------|---------------|
| Postage - \$ 16.67 x 12 mos. | \$ <u>200</u> |
|------------------------------|---------------|

RENTAL SPACE – These funds will be used to pay a share of the rent at 938 Valencia for the HIV Peer Counselor and space for the program activities.

|                        |                 |
|------------------------|-----------------|
| Rent - \$300 x 12 mos. | \$ <u>3,600</u> |
|------------------------|-----------------|

UTILITIES – These funds will be used to pay the utilities to implement the program.

|           |               |
|-----------|---------------|
| Utilities | \$ <u>600</u> |
|-----------|---------------|

TELEPHONE – These funds will be used to pay telephone to implement the program.

|           |               |
|-----------|---------------|
| Telephone | \$ <u>600</u> |
|-----------|---------------|

|                       |                  |
|-----------------------|------------------|
| Total Direct Expenses | \$ <u>57,300</u> |
|-----------------------|------------------|

### INDIRECT EXPENSES

Executive Director: Responsible for all aspects of operations at Dolores Street Community Services. Performs role of Director of Programs and Director of Development as well.

.060 FTE x \$65,000 salary = \$ 3,900

Bookkeeper: Responsible for all invoicing of contracts, payment of sub contracts and payroll processing and various human resources tasks.

.828 FTE x \$34,000 salary = \$ 2,815

Benefits: 28% of salaries = \$1,835

|                           |                 |
|---------------------------|-----------------|
| Total Indirect Expenses - | \$ <u>8,550</u> |
|---------------------------|-----------------|

|                         |                  |
|-------------------------|------------------|
| Total Contract Budget - | \$ <u>65,850</u> |
|-------------------------|------------------|

Mission Neighborhood Health Center  
HIV Services

Outreach, Confidential HIV Testing & Counseling, Referrals and Treatment Adherence  
Services for HIV+ Latino MSM

A. PERSONNEL  
B. MANDATORY FRINGE

|                                         |                 |
|-----------------------------------------|-----------------|
| 1. HIV Testing Coordinator (0.250 FTE)- | Eduardo Antonio |
| Annual salary                           | \$8,029         |
| Fringe benefits @ 24%                   | \$1,927         |
|                                         | \$9,956         |

This position is responsible for the coordination and implementation of the Confidential HIV Testing Program at MNHC. Assists in the provision HIV risk reduction counseling, risk assessment and disclosure sessions and coordinates street and community outreach. Coordinates recruitment and hiring of volunteer counselors. Supervises and provides training and support to HIV Testing Counselor and Treatment Link Specialist. Responsible for the maintaining the program statistical data base and prepares monthly program reports to the HIV Services Director. Attends meetings with community partners.

|                                  |          |
|----------------------------------|----------|
| 2. HIV Testing Counselor (1 FTE) | TBA      |
| Annual salary                    | \$30,000 |
| Fringe benefits @ 24%            | \$7,200  |
|                                  | \$37,200 |

This position is responsible for providing HIV risk reduction counseling, risk assessment and disclosure sessions to persons seeking HIV testing. Provides referrals to clients as needed and follow-up for clients not returning for their results. Works with Treatment Link Specialist in the conduction of street and community outreach. . Assists in maintaining the program statistical data base.

|                                          |           |
|------------------------------------------|-----------|
| 3. Treatment Link Specialist (0.625 FTE) | TBA       |
| Annual salary                            | \$16,250  |
| Fringe benefits @ 24%                    | \$ 3,900  |
|                                          | -\$20,150 |

This position is responsible for conducting street and community outreach to targeted population. Provides information, education and peer counseling outside the clinic to at-risk individuals who have not tested for HIV or to HIV-positive individuals that are out of care. Takes clients who are interested in HIV testing to the clinic, and refers and links clients to needed services. Assists HIV testing counselors at the clinic on testing days. Assists in maintaining the program statistical data base.

|                                       |                        |
|---------------------------------------|------------------------|
| 4. HIV Services Director (0.025 FTE)- | Fernando Gomez-Benitez |
| Annual salary                         | \$1,365                |
| Fringe benefits @ 24%                 | \$ 328                 |
|                                       | \$1,693                |

This position is responsible for the program development, the coordination of various contracts and the overall program implementation. Responsible for the fiscal and administrative supervision of this program. Supervises and provides training and support to the HIV Testing Coordinator. Prepares quarterly, year-end and monitoring reports to the funding sources.

|                       |              |
|-----------------------|--------------|
| Total Personnel:      | \$ 68,999    |
| Total Salaries        | \$ 55,644    |
| Total Fringe benefits | \$ 13,355    |
| <br>Total Personnel   | <br>\$68,999 |

#### C. TRAVEL

1. Travel: Local \$ 420

These funds will be used for the purchase of one monthly bus pass for staff (Treatment Link Specialist and HIV Test Counselor) to conduct street and community outreach to targeted population.

Breakdown of local travel costs:

\$35/bus pass x 1 staff person x 12 months = \$420

2. Travel: Out of Jurisdiction \$ 0

Total Travel \$420

D. EQUIPMENT \$0

#### E. MATERIALS AND SUPPLIES

1. Office Supplies \$250

Funds are requested to purchase office supplies necessary to implement the program. Such supplies include: paper, pens, folders for client charts, envelopes, etc.

2. Outreach Supplies \$771

Funds are requested to purchase outreach supplies for the prevention/information kits distributed among the target population (kit is a resealable plastic bag that includes condoms, lubricants, outreach cards, etc.)

Total Material and Supplies \$1,021

F. CONTRACTUAL \$0

G. OTHER \$0

|                       |          |
|-----------------------|----------|
| TOTAL DIRECT EXPENSES | \$70,440 |
| H. INDIRECT COSTS     | \$0      |
| TOTAL BUDGET          | \$70,440 |

San Francisco Department of Public Health  
San Francisco General Hospital Medical Center  
Positive Health Program (Ward 86)  
(September 30, 2002-September 29, 2003)

POSITIVE HEALTH PROGRAM (PHP) CLINICAL SERVICES AND TECHNICAL  
INFRASTRUCTURE PROPOSAL TO INCREASE EFFORTS IN ADHERENCE,  
PREVENTION, AND OUTREACH TO HIV-INFECTED POPULATIONS

A. PERSONNEL  
B. MANDATORY FRINGE

|    |                                   |          |
|----|-----------------------------------|----------|
| 1. | 1.0 UC Case Manager: vacant       | \$83,800 |
|    | Annual Salary                     | \$68,130 |
|    | Mandatory Fringe Benefits @ 23% = | \$15,670 |

This position is responsible for providing case management of PHP clients particularly in improving their adherence to their HIV medications. This position will work with both the client and the PHP staff in improving adherence strategies. In addition, this position will also work closely with the Women's Integrated Delivery Services (WIDS) in identifying women infected with HIV in an effort to link them to PHP and improve their health status by improving their adherence to HIV medications.

|    |                                      |           |
|----|--------------------------------------|-----------|
| 2. | 1.0 UC Placement Coordinator: vacant | \$100,375 |
|    | Annual Salary                        | \$81,606  |
|    | Mandatory Fringe Benefits @ 23% =    | \$18,769  |

This position is responsible for triaging clients and identifying the proper level of care for each client. In identifying the proper level of care, placement coordinator is responsible for performing an initial assessment on the client. The position will particularly focus on WIDS clients.

|    |                                   |          |
|----|-----------------------------------|----------|
| 3. | 1.0 UC Outreach Worker: vacant    | \$50,650 |
|    | Annual Salary                     | \$41,179 |
|    | Mandatory Fringe Benefits @ 23% = | \$9,471  |

This position is responsible for performing outreach efforts in identifying those infected with HIV who do not currently have a source of primary care and linking them to PHP services. Outreach efforts will be focused on DPH treatment areas (i.e. Emergency Department, Needle Exchange sites, Inpatient Acute) as well as the neighboring Mission community.

|                 |           |
|-----------------|-----------|
| Total Personnel | \$234,825 |
| Total Salaries  | \$190,915 |
| Total Fringe    | \$43,910  |

TOTAL PERSONNEL \$234,825

|    |                                |          |
|----|--------------------------------|----------|
| C. | TRAVEL                         | \$0      |
| D. | EQUIPMENT                      | \$0      |
| E. | MATERIALS AND SUPPLIES         | \$0      |
| F. | CONTRACTUAL                    |          |
| 1. | Information Systems Consultant | \$32,364 |

Over a 12-month period, consultant would provide

- expertise from a technical systems integration vantage point to facilitate onsite implementation and integration of each components into the existing system
- technical support for troubleshooting and resolving system problems during the first year of project implementation
- training to system users and create a user training manual for ongoing training needs for the system
- and would work in tandem with design engineers to facilitate the design process and system solutions for incorporation into program's architecture.

|    |                       |           |
|----|-----------------------|-----------|
|    | TOTAL CONTRACTUAL     | \$32,364  |
| G. | OTHER                 | \$0       |
|    | TOTAL DIRECT EXPENSES | \$267,189 |
|    | TOTAL BUDGET          | \$267,189 |

Positive Health Practice (PHP) at UCSF / Black Coalition on AIDS (BCA)

MEN OF COLOR PROGRAM (MOCP) at PHP-UCSF  
BUDGET JUSTIFICATION  
(September 30, 2002 – September 29, 2003)

A. PERSONNEL

B. MANDATORY FRINGE

1. 1.0 Treatment Advocate/Peer Advocate: vacant  
Annual Salary \$36,504  
Mandatory Fringe Benefits @ 17% = \$6206 \$42,710

This position will provide outreach via the BCA and direct services including: assessment of a clients concrete obstacles to medical care (e.g. transportation, childcare etc.), assistance with completing applications for Paratransit, housing, etc.; referral to WSP or MOCP social worker for comprehensive psycho-social assessment; referral to pharmacy services and liaison with community pharmacies to assure accurate and timely refills, home delivery and communication on behalf of the patient; referral and liaison to Action Point; assessment, relationship-building and counseling to understand a client's beliefs about starting HIV medications; home visits to assist patients with filling their medi-set; calling in prescription refills; providing general emotional support to clients and their families including being readily available by pager to discuss any adverse events related to taking medications or HIV disease; being available to clients by pager and can act as liaison to accessing other aspects of healthcare that many take for grant such as reaching the 'on-call' physician for medical issues after-hours; escorting patients to the clinic and other important medical appointments as well as to drug or mental health intakes; liaison to residential drug treatment programs to assure adherence; working with Social Worker to create, recruit for, and facilitate a support group for target population; and providing smooth communication between the client, the program staff and our clinic. The TA/PA will also be responsible for review patient client status by reviewing monthly REGGIE reports with CM and SW to identify clients lost to care. The TA/PA will be responsible for trying to find such clients and reengage them into care. The TA/PA will complete the HIV Treatment, Education, and Certification program and their monthly updates as well as receive updates from the MOCP HIV Coordinator to remain knowledgeable about the latest treatments and be able to articulate some of the pros/cons of treatment to individuals and groups.

2. 0.5 Case Manager: vacant  
Annual Salary \$20,000  
Mandatory Fringe Benefits @ 17% = \$3,400 \$23,400

This position is responsible for MOCP service integration, and is designed to address the daily living and survival issues that hinder an HIV+ African-American from access to

effective medical treatment. The position is responsible for providing comprehensive case management services for a part-time caseload of 15-20 active clients at PHP-UCSF and BCA including care coordination, intake, development of care plans, counseling, advocacy, referrals, follow-up, and documentation (remaining .5 FTE of activity will be funded by BCA devoted to activities on their Circle of Care Project). All Case Management activities will be delivered according to the seven core activities that comprise HIV Case Management as defined in Making the Connection: Standards of Practice for Client-centered HIV Case Management. The Case Manager will deliver services during regular hours on-site at PHP-UCSF and BCA. Case management scheduling will be determined by and coordinated between sites by the PHP-UCSF Social Worker. The CM will also be responsible for review patient client status by reviewing monthly REGGIE reports with TA/PA and SW to identify clients lost to care. In addition to meeting the qualifications for Case Management positions, this person will be screened for and hired according to their cultural and sexual orientation sensitivity and their understanding of and agreement with harm reduction practices. The case manager will participate in the CARE funded HIV Treatment, Education, and Certification program and their monthly updates as well as receive updates from the MOCP HIV Coordinator.

3. 0.25 Clinical Social Worker: Darren Wood  
Annual Salary \$10,500  
Mandatory Fringe Benefits @ 17% = \$1,785 \$12,285

This position is responsible for supervising the TA/PA including working with TA/PA on support group for target population; supervising case manager including meeting with case manager 2hrs/week to review cases; will provide comprehensive psychosocial assessment of clients; and will assist in referrals to appropriate CBO's for issues related to substance abuse and psychosocial needs. The SW will also be responsible for review patient client status by reviewing monthly REGGIE reports with CM and TA/PA to identify clients lost to care.

4. 0.15 MOCP Coordinator: Susan Coffey, MD  
Annual Salary \$14,250  
Mandatory Fringe Benefits @ 17.00% = \$2,423 \$16,673

This position is responsible for coordinating the activities of the MOCP and for all issues related to patient services that are a part of the MOCP including development of MOCP clinic protocols, supervising continuous quality improvement efforts, and preparation of reports related to the MOCP. In addition, this position will be an educational resource for the MOCP and BCA staff including the TA/PA, Case Manager, and Social Worker so that they have accurate, timely and safe information about treatment and research options (monthly 'in-services'); will provide educational sessions/Q&A aimed at the target population held in the field e.g. at BCA to further facilitate bringing clients into care by providing a familiar face to the concept of 'HIV provider' and addressing basic questions and concerns prior to actual utilization of healthcare system.

5. 0.20 Pharmacist: vacant  
Annual Salary \$18,000  
Mandatory Fringe Benefits @ 17% = 3,060 \$21,060

This position is responsible for providing expert advice regarding selection of complex HIV antiretroviral regimens and interpretation of resistance studies; will also assist in adherence strategies and addressing adverse drug reactions and potential drug interactions; will have knowledge of HIV treatments and interaction with related conditions e.g. transgender issues, psychiatric disease, substance abuse.

6. 0.15 Administrative Assistant: Mariann Ferretti  
Annual Salary \$5,462  
Mandatory Fringe Benefits @ 17.00% = \$1,256 \$6,718

This position is responsible for assisting in the set up of a database using the UCSF STOR system and the REGGIE system to track clients referred for adherence to the TA/PA and to collect CD4 and viral load data to enable the reporting of clinical health outcomes.

7. 0.10 Registered Dietician: vacant  
Annual Salary \$7,308  
Mandatory Fringe Benefits @ 17% = \$1,680 \$8,988

This position is responsible for nutrition assessment and counseling (desired weight loss, wasting, diabetes, hyperlipidemia, hypertension), body composition analysis, and wellness counseling (smoking cessation, stress management, etc). Will also screen charts for clients that should be assessed. Will spend 1 hour on initial evaluations and 30 minutes on follow-up evaluations.

8. 0.03 Practice Director: Malcolm John, MD, MPH  
Annual Salary \$3,450  
Mandatory Fringe Benefits @ 17% = \$586 \$4,036

This position is responsible for the overall clinical and administrative management of the PositiveHealth practice at UCSF. This position will be responsible for the final review and approval of all MOCP clinical and operative protocols generated by the MOCP Coordinator and staff; will ensure that the activities of the MOCP are in compliance with the regulations of UCSF Medical Center; will ensure the smooth integration of the MOCP into the general organizational structure of PHP-UCSF. This position will also work closely with MOCP Coordinator to facilitate establishment of collaborative relationship with the BCA and its Executive Director.

|                |           |
|----------------|-----------|
| Total Salaries | \$115,474 |
| Total Fringe   | \$20,396  |

|                                                                                                                                                                                                                                                                                                              |           |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| TOTAL PERSONNEL:                                                                                                                                                                                                                                                                                             | \$135,870 |
| D. EQUIPMENT                                                                                                                                                                                                                                                                                                 | \$0       |
| E. MATERIALS AND SUPPLIES                                                                                                                                                                                                                                                                                    | \$0       |
| 1. Office Supplies                                                                                                                                                                                                                                                                                           | \$2900    |
| Funds are requested to purchase office supplies necessary to implement program. Such supplies include: fliers/brochures, posters, culturally relevant health-related literature for clients, appointment cards, easels, markers, and paper pads.                                                             |           |
| 2. Staff Utilities                                                                                                                                                                                                                                                                                           | \$1,869   |
| Funds are requested to purchase a pager and phone for the TA/PA and Case Manager given the nature of their duties and their shared time at PHP-UCSF and BCA. Prior experience has demonstrated that such immediate access to these persons a necessary to deal with urgent client-related issues that arise. |           |
| 3. Share Overhead Expenses                                                                                                                                                                                                                                                                                   | \$4,825   |
| Funds are requested to cover the room fees for the services provided through MOCP that are not already covered by PHP-UCSF. This includes space for the TA/PA, Case Manger, and Dietician.                                                                                                                   |           |
| TOTAL MATERIAL AND SUPPLIES:                                                                                                                                                                                                                                                                                 | \$9,594   |
| F. CONTRACTUAL                                                                                                                                                                                                                                                                                               |           |
| TOTAL CONTRACTUAL:                                                                                                                                                                                                                                                                                           | \$0       |
| G. OTHER                                                                                                                                                                                                                                                                                                     |           |
| TOTAL OTHER EXPENSES:                                                                                                                                                                                                                                                                                        | \$0       |
| TOTAL DIRECT EXPENSES:                                                                                                                                                                                                                                                                                       | \$145,464 |
| H. INDIRECT COSTS (9% of total modified direct costs)                                                                                                                                                                                                                                                        | \$13,092  |
| TOTAL BUDGET:                                                                                                                                                                                                                                                                                                | \$158,556 |

San Francisco Department of Public Health (SFPDH)  
AIDS Office  
HIV Health Services Section

HIV CARE AND RELATED SERVICES FOR WOMEN AND MINORITIES  
BUDGET JUSTIFICATION

(September 30, 2001 – September 29, 2002 with extension to December 31, 2002)

**A. PERSONNEL**

**B. MANDATORY FRINGE**

- |    |      |                                              |          |
|----|------|----------------------------------------------|----------|
| 1. | 0.30 | Director, HIV Health Services: M. Dixon, MPH |          |
|    |      | Annual Salary                                | \$26,826 |
|    |      | Mandatory Fringe Benefits @ 25.00% =         | \$6,706  |
|    |      |                                              | \$33,532 |

This position is responsible for the management, planning, and day-to-day operations of SFPDH HIV Health Services. The Director oversees the activities of and provides direction to the overall Program including reviewing contract status, progress and monitoring reports, budget requests and other administrative functions.

- |    |      |                                           |          |
|----|------|-------------------------------------------|----------|
| 2. | 0.40 | Health Program Coordinator III: J. Cecere |          |
|    |      | Annual Salary                             | \$27,426 |
|    |      | Mandatory Fringe Benefits @ 25.00% =      | \$6,856  |
|    |      |                                           | \$34,282 |

This position is responsible for the development and implementation of Program services. This position will provide programmatic oversight and monitoring of primary care and integrated services programs. Serves as liaison between contractors and SFPDH. Performs program monitorings and progress reports, monitoring contractor performance.

3. COLA/STEP increases:

The salary expenditures are based on the rates per job classification and Labor Union Agreements. The cost for COLA and Step Increases are as follows: COLA @ 3% = \$2,802 and Step Increases @ 5% = \$3,802

|  |         |
|--|---------|
|  | \$6,604 |
|--|---------|

|                  |          |
|------------------|----------|
| Total Personnel: | \$74,418 |
| Total Salaries   | \$60,855 |
| Total Fringe     | \$13,563 |

|                         |                 |
|-------------------------|-----------------|
| <b>TOTAL PERSONNEL:</b> | <b>\$74,418</b> |
|-------------------------|-----------------|

**C. TRAVEL**

- |    |               |       |
|----|---------------|-------|
| 1. | Travel: Local | \$420 |
|----|---------------|-------|

These expenses will be used to purchase bus passes for Health Program Coordinator III to monitor service providers. (\$35/month x 12 months).

|                                                                            |             |
|----------------------------------------------------------------------------|-------------|
| TOTAL TRAVEL                                                               | \$420       |
| D. EQUIPMENT                                                               | \$0         |
| E MATERIALS AND SUPPLIES                                                   | \$0         |
| F. CONTRACTUAL                                                             |             |
| <u>Castro-Mission Health Center</u>                                        | \$102,517   |
| Expanded Access and Coordination of Health Care at Dimensions Clinic       |             |
| <u>Dolores Street Community Services</u>                                   | \$65,850    |
| HIV Peer Advocacy Program                                                  |             |
| <u>Mission Neighborhood Health Center</u>                                  | \$70,440    |
| Outreach; HIV Counseling, Testing, & Referral; and Treatment Advocacy      |             |
| <u>San Francisco General Hospital Medical Center</u>                       | \$574,825   |
| Increased Efforts in Adherence, Prevention, & Outreach to the HIV-Infected |             |
| <u>UCSF Positive Health Practice (Men)</u>                                 | \$158,556   |
| Men of Color Program - Outreach, HIV Treatment & Peer Advocacy             |             |
| <u>UCSF Positive Health Practice (Women)</u>                               | \$46,000    |
| Women's Specialty Clinic - Outreach, HIV Treatment & Peer Advocacy         |             |
| TOTAL CONTRACTUAL:                                                         | \$1,018,188 |
| G. OTHER                                                                   | \$0         |
| TOTAL DIRECT EXPENSES:                                                     | \$1,093,026 |
| H. INDIRECT COSTS (16% of total modified direct costs)                     | \$11,974    |
| TOTAL BUDGET:                                                              | \$1,105,000 |

Number: \_\_\_\_\_  
Provided by Clerk of Board of Supervisors)

**Grant Information Form**  
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

Grant Title: HIV Care and Related Services for Women and Minorities

Department: Public Health, AIDS Office, HIV Health Services

Contact Person: Michelle Long Dixon Telephone: 554-9043

Grant Approval Status (check one):

☒ [x] Approved by funding agency ☐ [ ] Not yet approved

Amount of Grant Funding Approved or Applied for: \$650,000

Matching Funds Required: None

Source(s) of matching funds (if applicable): N/A

Grant Source Agency: Department of Health and Human Services, Office of Minority Health

Grant Pass-Through Agency (if applicable): N/A

Proposed Grant Project Summary: The goal of this project is to improve health outcomes for women and minorities by increasing access to health care and eliminating disparities in access to care. This project will create a network of community based organizations, SFDPH programs, and university-based programs. Participatory agencies were selected for their history and expertise at reaching and serving the target populations. The populations targeted for this project are minority women, transgender individuals, youth, African American men, and monolingual Latinos.

Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: September 30, 2002

End-Date: September 29, 2003

Number of new positions created and funded: None

If new positions are created, explain the disposition of employees once the grant ends? N/A

1. Amount budgeted for contractual services: \$562,035

2. Will contractual services be put out to bid? No

3. If so, will contract services help to further the goals of the department's MBE/WBE requirements? N/A

4. Is this likely to be a one-time (OTF) or ongoing request for contracting out? OTF

5. Does the budget include indirect costs? ☒ [X] Yes ☐ [ ] No

b1. If yes, how much? \$12,133

b2. How was the amount calculated? 16% of total modified direct costs

c. If no, why are indirect costs not included? N/A

☐ Not allowed by granting agency

☐ To maximize use of grant funds on direct services

☐ Other (please explain):

14. Any other significant grant requirements or comments: No

**\*\*Disability Access Checklist\*\***

15. This Grant is intended for activities at (check all that apply):

☒ Existing Site(s)

☒ Existing Structure(s)

☒ Existing Program(s) or Service(s)

☐ Rehabilitated Site(s)

☐ Rehabilitated Structure(s)

☐ New Program(s) or Service(s)

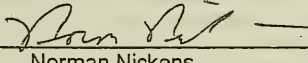
☐ New Site(s)

☐ New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

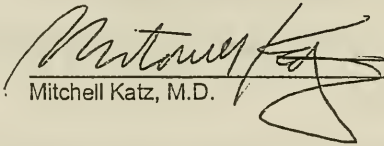
Comments:

Departmental or Mayor's Office of Disability Reviewer: \_\_\_\_\_

  
Norman Nickens

Date Reviewed: 11-21-02

Department Approval:

  
Mitchell Katz, M.D.

Director of Public Health

Item 7 – File 02-2051

**Department:** Department of Public Health (DPH)

**Item:** Resolution endorsing the transfer of State General Fund monies to the California Mental Health Directors Association for a contract to provide services to foster care and other Medi-Cal eligible children placed outside of San Francisco, for the period of July 1, 2002 through June 30, 2003.

**Amount:** \$50,000

**Source of Funds:** State of California General Fund

**Description:** The DPH currently participates in a Statewide contract for the provision of mental health services to San Francisco children who are either (a) placed by the City's Department of Human Services (DHS) in foster care facilities located outside of San Francisco or (b) are adopted by families residing outside of San Francisco. The California Mental Health Directors Association (Association), a nonprofit organization comprised of county mental health directors Statewide, contracts with the Statewide Administrative Services Organization (ASO) Value Options, a private behavioral health organization, to provide mental health referral services for San Francisco children who are either placed by DHS in out-of-county foster care facilities or are adopted by families residing outside of San Francisco.

Under the contract between the Association and Value Options, Value Options pays the mental health providers directly for the mental health services provided to eligible foster care children and adopted children, and receives reimbursement from the Association for payments made to the providers and for the administrative fees of Value Options.

Under the proposed resolution, San Francisco's DPH would transfer to the Association \$50,000 of State General Fund monies previously allocated by the State to San Francisco to pay for applicable mental health services to be provided in Fiscal Year 2002-2003 for eligible San

Francisco children. According to Dr. Albert Eng of the DPH, the DPH, and not the State, determines the amount of State General Fund monies to be transferred to the Association, based on the anticipated number of children to receive services during each fiscal year.

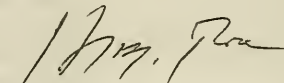
According to Ms. Sai-Ling Chan-Sew of the DPH, the DPH estimates that the proposed transfer of \$50,000 in State General Fund monies to the California Mental Health Directors Association represents 50 percent of the estimated \$100,000 of expenditures needed to cover the costs of the mental health services to be provided. In addition, according to Ms. Chan Sew, San Francisco was eligible to receive an estimated \$50,000 in Federal matching funds from the Federal Centers for Medicaid and Medicare Services in FY 2002-2003 for total funding of \$100,000. According to Ms. Chan-Sew, the \$50,000 in Federal matching funds, also to be paid by DPH to the Association, was previously approved by the Board of Supervisors in DPH's FY 2002-2003 budget.

**Comment:**

According to Dr. Eng, the purpose of transferring the subject State funds in the amount of \$50,000, together with the Federal matching funds in the amount of \$50,000, or a total of \$100,000, from the DPH to the California Mental Health Directors Association, is to facilitate access to mental health services for eligible San Francisco children by utilizing the Statewide Administrative Services Organization referral program.

**Recommendations:**

Approve the proposed resolution.



Harvey M. Rose

cc: Supervisor Peskin  
Supervisor Daly  
Supervisor Maxwell  
Clerk of the Board  
Controller  
Ben Rosenfield  
Ted Lakey

CITY AND COUNTY



[Budget Analyst Report]  
OF SAN FI **Susan Hom**  
Main Library-Govt. Doc. Section

## BOARD OF SUPERVISORS

### BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642

FAX (415) 252-0461

January 16, 2002

TO: Finance Committee

DOCUMENTS DEPT.

FROM: Budget Analyst

JAN 28 2003

SUBJECT: January 22, 2002 Finance Committee Meeting

SAN FRANCISCO  
PUBLIC LIBRARY

#### Item 1 - Files 02-1219

**Note:** At the November 26, 2002 Finance Committee Meeting, an Amendment of the Whole for File 02-1219 was submitted to the Finance Committee and the item was continued to the January 15, 2003 meeting pending submission by the Treasurer/Tax Collector of a supplemental appropriation ordinance to implement the Business Tax Penalty Amnesty Program (see companion Item 2 File 02-2029). Both items were then continued at the January 15, 2003 Finance Committee Meeting.

**Department:** Treasurer/Tax Collector

**Item:** Ordinance amending the Business and Tax Regulations Code to: (1) amend Article 6 Sections 6.17-1 through 6.17-4 to increase penalties imposed upon businesses who fail to: (a) pay the Payroll Tax or the Gross Receipts Tax owed to the City, or (b) file a business tax return or who file a business tax return subsequent to the City's due dates, and (2) amend Article 17 Sections 1700 through 1707 to establish a Business Tax Penalty Amnesty Program during Fiscal Year 2002-2003 for penalties owed to the City on delinquent annual Business Registration Certificate fees and on delinquent Payroll Tax and Gross Receipts Tax for tax periods ending on or before December 31, 2001.

**Description:** Prior to January 1, 2000, firms doing business in the City were required to pay the City either the Payroll Tax or the Gross Receipts Tax, whichever was higher, as an

excise tax for engaging in business in the City. The City currently imposes only the Payroll Tax on firms engaged in business in the City since the Gross Receipts Tax was repealed on January 1, 2000 (Ordinance No. 63-01). The proposed ordinance would apply to penalties on both the Payroll Tax and the Gross Receipts Tax, depending on the tax periods for which the penalty applies.

In addition to paying business taxes, firms engaging in business in the City must obtain an annual Business Registration Certificate from the Office of the Treasurer/Tax Collector's Office. Business Registration Certificate fees and business taxes are remitted to the City's General Fund. Businesses that (a) fail to obtain an annual Business Registration Certificate or fail to obtain their Business Registration Certificate by the Certificate's due date, (b) fail to file a business tax return or file such returns subsequent to the City's due dates, or (c) fail to pay their business taxes owed to the City, are subject to penalties as set forth in Article 6 Sections 6.17-1 through 6.17-4 of the Business and Tax Regulations Code.

The proposed ordinance would amend the Business and Tax Regulations Code as follows:

- Amend Section 6.17-1 to increase the penalty for failure to pay the required business taxes. Under current law, businesses are subject to penalties of 5% of the amount of the delinquent taxes for each month or fraction of the month from the time the tax becomes delinquent until paid, not to exceed 20% in the aggregate. Under the proposed ordinance, the not-to-exceed penalty would increase from 20% of the amount of delinquent taxes to 25% of the amount of the delinquent taxes. In addition, the proposed ordinance would amend Section 6.17-1 to increase the additional penalty for failure to pay any business taxes for a period of 90 days after notification by the Tax Collector's Office that the tax is delinquent, from the current flat penalty of 20% of the amount of the delinquent taxes to a flat penalty of 25% of the amount of the delinquent taxes.
- Amend Section 6.17-2 to increase the penalty for underreported business taxes. Under current law, businesses are subject to penalties of 5% of the amount

of the underreported tax for each month or fraction of the month from the time the tax becomes delinquent until paid, not to exceed 20% in the aggregate. Under the proposed ordinance, the not-to-exceed penalty would increase from 20% of the amount of delinquent taxes to 25% of the amount of the delinquent taxes.

- Amend Section 6.17-3 to increase the penalty for failure to file a business tax return that is required by the Business and Tax Regulations Code from the current penalty of \$100 to \$250 for each such failure to file.
- Amend Section 6.17-4 to add a provision stating that, during the proposed amnesty period (see below), for any business that applies for and receives a waiver of penalties under the proposed Business Tax Penalty Amnesty Program, the Tax Collector may not waive or otherwise reduce interest for the period or periods covered by the business' amnesty application. Under the current and proposed amended Business and Tax Regulations Code, interest accrues at the rate of one percent per month, or fraction of a month, from the date that business taxes become delinquent.
- Amend Article 17 to establish a Business Tax Penalty Amnesty Program in Fiscal Year 2002-2003. Under the proposed ordinance, the Tax Collector would designate by February 1, 2003 a 60-day amnesty application period to begin on or after March 1, 2003 and to conclude on or before June 30, 2003, during which time the Tax Collector would accept applications to participate in the Business Tax Penalty Amnesty Program for Fiscal Year 2002-2003. According to Mr. George Putris of the Treasurer/Tax Collector's Office the last such Business Tax Penalty Amnesty Program approved by the Board of Supervisors was in FY 1994-1995.
- Adds Section 1700.5 to include a Statement of Intent regarding future Business Tax Penalty Amnesty Programs to state that it is the intent of the Board of Supervisors that future amnesty programs could not take place for at least five years following the conclusion of the proposed amnesty period.

Liabilities that would be forgiven under the proposed Business Tax Penalty Amnesty Program as set forth in

the proposed amended Article 17 of the Business and Tax Regulations Code include penalties owed for failure to pay annual Business Registration Certificate fees, penalties owed for failure to file a business tax return or for filing late, and penalties owed for failure to pay business taxes for tax periods ending on or before December 31, 2001. According to Mr. Dorji Roberts of the City Attorney's Office, under the proposed ordinance, a penalty for failure to file a business tax return on a timely basis, resulting in any loss or partial loss of eligibility for the Small Business Exemption would be deemed a penalty subject to waiver under the proposed Business Tax Amnesty Program.<sup>1</sup>

Liabilities that would not be forgiven under the proposed Business Tax Penalty Amnesty Program include unpaid Business Registration Certificate fees, unpaid business taxes, accrued interest on delinquent taxes, penalties owed as a result of a jeopardy determination<sup>2</sup> that has become final prior to the 60-day amnesty application period, penalties paid prior to the amnesty period, and penalties owed which are related to any determination under administrative review, or penalties owed that are included in any civil tax collection litigation commenced by the Tax Collector, prior to the 60-day amnesty application period.

To qualify for the Business Tax Penalty Amnesty Program, a business must: (a) file completed business tax returns for all periods for which the business has not previously filed a business tax return or not filed an amended business tax return for all periods for which the business underreported taxes owed to the City, (b) pay in full all business taxes and interest due to the City, and (c) execute a written waiver of the business' rights to seek a refund of the amounts paid to the Tax Collector for all periods for which the business submits a tax penalty

---

<sup>1</sup> According to Mr. Roberts, if a business owes \$2,500 or less in payroll taxes to the City and files a timely business tax return, then the business is exempt from payment of the tax under the Small Business Exemption. If a business fails to file a business tax return on time, even though the business owes \$2,500 or less in payroll taxes, the business would still be subject to penalties. Depending on the year at issue, the business would either lose its Small Business Exemption status entirely, or be subject to a graduated penalty according to Mr. Roberts. Such penalties would be subject to waiver under the proposed Business Tax Penalty Amnesty Program.

<sup>2</sup> Mr. Mark Buckley of the Treasurer/Tax Collector's Office explains that a jeopardy determination is when the timeline for payment of taxes is expedited due to the potential flight risk of the taxpayer.

amnesty application under the proposed Business Tax Penalty Amnesty Program. The proposed ordinance requires that when a business qualifies to participate in the proposed Business Tax Penalty Amnesty Program, and that business enters into an installment payment agreement with the City to repay in full over time its delinquent business taxes, related interest, and/or fees, then the business must pay upfront 50 percent of the outstanding balance due to the City.

If a business qualifies to participate in the Business Tax Penalty Amnesty Program, the Tax Collector shall: (a) waive all penalties for failure to pay annual Business Registration Certificate fees or failure to file a business tax return, (b) waive all penalties for delinquent business taxes, (c) refrain from initiating proceedings to suspend or revoke the Business Registration Certificate previously issued to the business, and (d) refrain from initiating any civil action against the business for the tax periods for which the tax penalty amnesty is granted.

**Comments:**

1. The Attachment is a memorandum from Mr. Putris showing the results of the last 1995 Amnesty Program. According to Mr. Putris, the 1995 Business Tax Penalty Amnesty Program was effective from December 1, 1994 to January 31, 1995. The Attachment shows that as a result of the 1995 Business Tax Penalty Amnesty Program, the City realized \$4,949,336 in delinquent Business Registration Certificate fees and business taxes offset by additional City costs of \$770,952, for a net revenue gain to the City of \$4,178,384. Mr. Putris reports in the Attachment that "the aggregate amount of penalties waived in connection with the 1995 Amnesty Program were not recorded at the time and cannot easily be determined now." The Treasurer/Tax Collector's Office has no information on the amount of revenue forgone by the City under the 1995 Amnesty Program, representing penalties on the delinquent taxes and Business Registration Certificate fees.

2. Mr. Putris states in the Attachment, "If all delinquent taxpayers with collectable accounts availed themselves of the proposed Business Tax Penalty Amnesty Program, the

total amount of outstanding penalties subject to forgiveness would be \$12,466,561.”

3. The Treasurer/Tax Collector's Office is requesting a supplemental appropriation (see Item 2, File 02-2029) of \$998,992 for FY 2002-03 to cover the costs of staff time and related costs that would be required to process applications for the Business Tax Penalty Amnesty Program should this proposed ordinance (File 02-1219) be approved by the Board of Supervisors. Mr. Putris advises that the supplemental appropriation request of \$998,992 is the amount of additional funds that the Treasurer/Tax Collector's Office would require if the applications to participate in the proposed Business Tax Penalty Amnesty Program were to be accepted for a 60-day period. According to Ms. Peg Stevenson of the Controller's Office, the Controller's Office is only able to certify \$297,498 in increased business tax revenues to pay for the requested supplemental appropriation of \$998,992. Ms. Stevenson advises that the amount of \$297,498 represents the estimated amount at this time which the Controller believes would be realized by the City as a result of the proposed Business Tax Penalty Amnesty Program.

4. As previously noted, an increase in penalties would be imposed on businesses (a) which fail to pay business taxes owed to the City, from the current not-to-exceed penalty of 20% of the amount of taxes owed to a proposed not-to-exceed penalty of 25% of the amount of taxes owed, or (b) which fail to file a business tax return, whereby the current penalty of \$100 would be increased to a penalty of \$250. Mr. Putris advises that the Treasurer/Tax Collector's Office is unable to estimate the additional revenues to the City which would result from the increased penalties under the proposed ordinance.

5. The Budget Analyst notes that while business tax collections may increase during the amnesty period, much of that revenue might be collected without an amnesty program, simply as a result of the Tax Collector's normal auditing and collection procedures. The Attachment includes a flow chart of the business tax filing and collection process. As previously noted, the Treasurer/Tax Collector's Office has no information on the forgone

revenues to the City from the 1995 amnesty program. As also previously noted, Mr. Putris estimates that the amount of penalty revenues which may be forgone by the City if the proposed Business Tax Penalty Amnesty Program is approved by the Board of Supervisors is \$12,466,561.

6. Although, at this time, the Controller is only able to certify \$297,498 in additional increased revenue which may result from the proposed Business Tax Penalty Amnesty Program, it is possible that additional revenues would be realized by the City. Further, such a Program could result in improved compliance with the City's business tax laws and could result in an increase to the City's business tax base if the number of currently unregistered businesses use the amnesty program to become registered with the City. The potential for an increased number of registered businesses could therefore be viewed as a long term revenue benefit resulting from the proposed Business Tax Penalty Amnesty Program.

**Recommendation:** Approval of the proposed ordinance is a policy decision for the Board of Supervisors.



## CITY AND COUNTY OF SAN FRANCISCO

Street Address: 1 Dr. Carlton B. Goodlett Place, City Hall, Room 140  
San Francisco, CA 94102

Mailing Address: P.O. Box 7425, San Francisco, CA 94120-7425

SUSAN LEAL  
Treasurer

GEORGE PUTRIS  
Tax Administrator

DATE: Original: September 25, 2002; Updated: January 9, 2003  
TO: Anna LaForte  
FROM: George Putris, Tax Administrator  
SUBJECT: Proposed Business Tax Penalty Amnesty Program  
CC: Hon. Susan Leal, Treasurer/Tax Collector

We have considered your questions concerning the proposed Business Tax Penalty Amnesty Program and respond as follows:

### 1. Program Costs

Set forth below is an estimated budget for the proposed Business Tax Penalty Amnesty Program. This budget relies upon the actual costs incurred during the fiscal year 1994/1995 Amnesty Program.

#### *Assumptions:*

- Inflation rate at 20 percent for programming and materials. Employee compensation set forth at current rates.
- Total number of businesses participating in the proposed amnesty program same as in the prior program; that is, approximately 10,000 applicants, of which 4,500 ultimately required to pay delinquent tax obligations.
- Additional staff will be needed for a six-month period to complete the processing of applications and payment arrangements.

| Temporary Positions                        | Cost      | FTE | Annual |
|--------------------------------------------|-----------|-----|--------|
| 4222 Sr. Auditor                           | \$37,284  | .5  | 74,568 |
| 4220 Auditor                               | \$128,856 | 2   | 64,428 |
| 4308 Collections Officer                   | \$115,492 | 2   | 57,746 |
| 1632 Sr. Acct Clerk                        | \$103,480 | 2   | 51,740 |
| 1630 Acct Clerk                            | \$89,388  | 2   | 44,694 |
| 1424 Clerk Typist                          | \$43,316  | 1   | 43,316 |
|                                            |           |     |        |
| FTE Total                                  | \$517,816 | 9.5 |        |
| Benefits                                   | \$40,000  |     |        |
| Overhead                                   | 0         |     |        |
| Advertising                                | \$30,000  |     |        |
| Materials, Supplies, Mailing & Programming | \$411,176 |     |        |
| Total                                      | \$998,992 |     |        |

## **2. Supplemental Appropriation Required**

The Treasurer's Office has not included the above-estimated costs in its fiscal year 2002/2003 budget. Therefore, supplemental appropriations equal to the entire program costs would be required.

## **3. Aggregate Penalties Subject to Forgiveness Under Proposed Amnesty Program**

If all delinquent taxpayers with collectable accounts availed themselves of the proposed Business Tax Penalty Amnesty Program, the total amount of outstanding penalties subject to forgiveness would be \$12,466,561.

The total amount collected during the fiscal year 1994/1995 Amnesty Program was \$4,949,336. The total cost of administering such Program was \$770,952, of which \$249,162 was for materials, supplies and programming. The aggregate amount of penalties waived in connection with such Program were not recorded at the time and cannot easily be determined now.

## **4. Delinquent Revenue Collection Process**

The department's Bureau of Delinquent Revenue ("BDR") is primarily responsible for identifying and collecting delinquent business tax revenues due and owing to the City and County of San Francisco. A summary of BDR's procedures are set forth below:

- Delinquent accounts are identified using "on-hold" reports generated daily from DTIS. This report reflects registered businesses that have made a payment but, due to a prior year's delinquency, have a "hold" on the issuance of a new registration certificate.
- For delinquent accounts, collectors research and compile all taxes, including business taxes and unsecured property taxes (UPP), and send a statement of account to the taxpayer.
- Taxpayers contact the office to pay, dispute or clarify the account. If payment in full is received, the registration will issue automatically by the Business Tax System ("BTS"). If the taxpayer disputes the liability and requests a waiver of penalties, the matter is forwarded to Business Tax Section. If the taxpayer sends documentation to substantiate the basis of the dispute (e.g., the business closed a year ago), then an adjustment request is forwarded to the Taxpayer Assistance or Business Tax Section.
- If the taxpayer fails to respond, a second letter is sent. If no response is received, then the account is forwarded to Investigations for further action and possibly the recordation of a lien. If the amount is under \$5,000, the business tax summary judgments procedure may be used. If the amount is over \$5,000, the account is forwarded to Legal Section to review for possible legal action.

- Separate from this process, collectors work to proactively identify businesses who are delinquent in tax payments in excess of those identified in the “on-hold” report. The following means are used:
  - i. Cross referencing taxpayer accounts in the BTS and various lists of delinquent UPF taxes and other files and list provided by third parties, including Dunn and Bradstreet, the Franchise Tax Board, and the State Board of Equalization. This cross-checking procedure typically yields the identities of large numbers of unregistered businesses.
  - ii. Search of the BTS system for large delinquent obligations to collect (also known as “cherry picking”).
  - iii. Identification of unregistered companies and individuals doing business in the City and County of San Francisco using the Internet, periodicals, newspapers, etc.

*The chart attached to this Memorandum provides an overview of BDR's collection process. The chart outlines procedures associated with the non-payment of business taxes over time and reflects the categories of businesses who would be eligible for a new Amnesty Program.*

## 5. Long Term Results of Prior Amnesty Program

It is reasonable to assume that some number of unregistered businesses that availed themselves of the prior amnesty program paid past and future taxes that would not have been collected but for such program. Some of these businesses would probably have been identified by BDR in the ordinary course of business; therefore, it is possible that the prior amnesty program reduced post-amnesty collections. Stated another way, the amnesty program, by accelerating collections to the amnesty period, reduced later collections by a like amount.

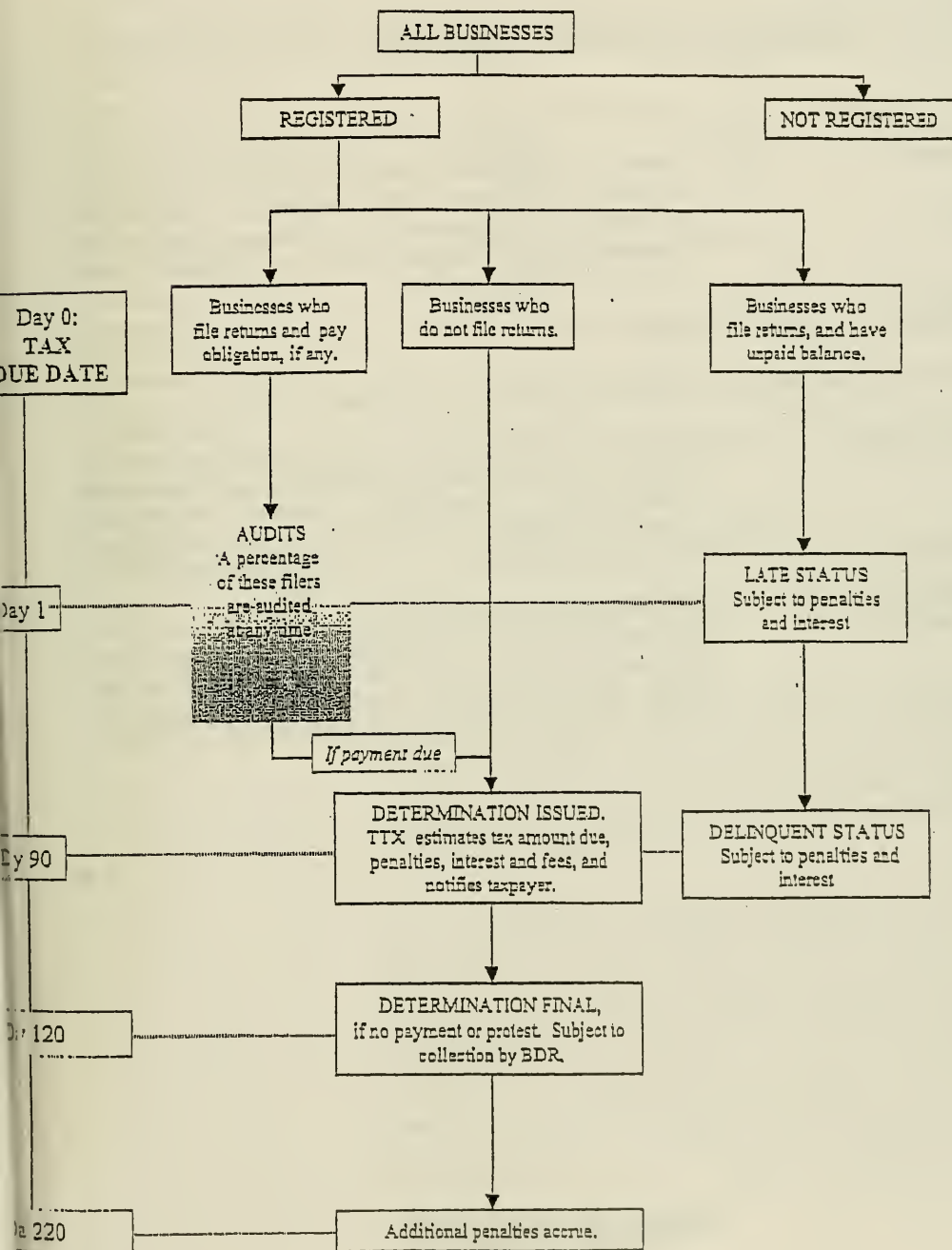
## 6. Policy Implications Of Amnesty Programs

The reduction of the number of non-compliant businesses eases BDR's burden of discovering and collecting delinquent tax obligations. In addition, amnesty serves to accelerate the collection of past due tax obligations.

Two unintended effects of amnesty program are as follows:

- Some of the taxpayers who have diligently complied with the City and County of San Francisco's various taxation laws or have actually paid the types of penalties forgiven under amnesty programs *take exception* to what they consider the special treatment that non-compliant businesses receive under such programs.
- In the taxable years following an amnesty program, some non-compliant businesses who incur penalties choose not to come forward, choosing instead to wait for a future amnesty program.

# Business Tax Filing & Collection Process



Item 2 - 02-2029

Note: This item was continued at the January 15, 2003 Finance Committee Meeting.

**Department:** Treasurer/Tax Collector

**Item:** Ordinance appropriating \$998,992 from the General Fund Reserve to the Office of the Treasurer/Tax Collector for the purpose of implementing a Business Tax Penalty Amnesty Program during fiscal year 2002-2003, and placing \$701,494 on reserve.

**Amount:** \$998,992

**Source of Funds:** Business Tax Revenue (see Comment No. 4).

**Description:** The Treasurer/Tax Collector is requesting a supplemental appropriation in the amount of \$998,992 from the General Fund Reserve to implement a Business Tax Penalty Amnesty Program in FY 2002-2003 as described in Item 1, File 02-1219.

**Budget:** According to Mr. George Putris of the Treasurer/Tax Collector's Office, for the six month period from approximately March 1, 2003 through approximately August 31, 2003, the cost to implement the Business Tax Penalty Amnesty Program would be \$998,992 as follows:

| Description                                            | Requested<br>Appropriation | Appropriated and<br>Unreserved Amount | Reserved Amount<br>of Total Requested<br>Appropriation |
|--------------------------------------------------------|----------------------------|---------------------------------------|--------------------------------------------------------|
| Temporary Salaries &<br>Fringe Benefits                | \$565,992                  | \$141,498                             | \$424,494                                              |
| Official Advertising                                   | 30,000                     | 30,000                                | -                                                      |
| Materials and Supplies                                 | 45,000                     | 18,000                                | 27,000                                                 |
| Forms                                                  | 3,000                      | 3,000                                 | -                                                      |
| Professional &<br>Specialized Services                 | 60,000                     | 40,000                                | 20,000                                                 |
| Services of Other<br>Departments – DTIS<br>Programming | 260,000                    | 30,000                                | 230,000                                                |
| Services of Other<br>Departments – DTIS<br>Telephone   | 5,000                      | 5,000                                 | -                                                      |
| Services of Other<br>Departments – Mail                | 20,000                     | 20,000                                | -                                                      |
| Services of Other<br>Departments<br>Reproduction       | 10,000                     | 10,000                                | -                                                      |
| <b>Total Program Cost</b>                              | <b>\$998,992</b>           | <b>\$297,498</b>                      | <b>\$701,494</b>                                       |

Attachment I, is a memorandum provided by Mr. Putris, which provides additional budgetary and programmatic details.

**Comments:**

1. In Attachment I, Mr. Putris identifies reserved funds of \$648,362 instead of the Controller's recommended reserve of \$701,454, as shown in the table above. According to Ms. Pamela Levin of the Controller's Office, the Controller continues to recommend reserved funds of \$701,494 (see Comment No. 4).

2. The Budget Analyst has reviewed the Controller's latest FY 2002-2003 expenditure projections for the Treasurer/Tax Collector's Office, based on salary and mandatory fringe benefit expenditures through the pay period ending December 20, 2002. Using fiscal year-to-date average pay period expenditures, to project salary and fringe benefit spending for the remainder of the fiscal year, results in a projected year-end surplus of \$223,843. However, when basing the projection on the latest pay period expenditures, the Treasurer/Tax Collector's year end projection results in a deficit of \$124,569. This

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

difference in projections is due to recent hiring of temporary personnel to process Property Tax payments, the first installment of which was due December 10, 2002.

In Attachment II, Mr. Jay Banfield of the Treasurer/Tax Collector's Office explains that as a result of the increased spending on seasonal, temporary personnel, the Department will not have a surplus which can be used as a source of funds for this proposed supplemental appropriation but that the Department will end the fiscal year with a balanced budget.

3. Ms. Shana Margolis of the Treasurer/Tax Collector's Office states in Attachment I that, "It is impossible to project the amount of revenue that will be generated with a new Amnesty Program. The revenue generated from the program will be dependent on the level of participation in the program from the business community." However, Mr. Banfield advises that the Tax Collector's records indicate that there is currently \$31.8 million of delinquent business taxes, excluding penalties, that would be eligible for collection during the proposed Amnesty Program. Mr. Banfield states that during the FY 1994-1995 Amnesty Program, the records indicate that there was \$12.9 million of delinquent business taxes, excluding penalties, that was eligible for collection and the total amount collected during this previous Amnesty Program was \$4,949,336.

4. According to Ms. Levin, out of the total requested amount of \$998,992, at this time, the Controller's Office is only able to certify \$297,498 in increased business tax revenues that might result from the implementation of the Business Tax Penalty Amnesty Program, to serve as a funding source for the subject supplemental appropriation. Therefore, the Controller's Office has placed the balance of this request or \$701,494 on reserve pending the submission of a report by the Treasurer/Tax Collector to the Controller's Office, which would provide information demonstrating that sufficient revenue would be generated by the Business Tax Penalty Amnesty Program, according to Ms. Levin. Mr. Putris states that such a report, which would be submitted to the Controller's Office approximately one month after the

Program begins, would consist of 1) the number of responses to the program, 2) the total number of applicants for the Business Tax Penalty Amnesty Program, 3) the actual amount of Business Tax revenues collected to date, 4) projected total Business Tax revenue collections, and 5) the total amount of Business Tax Liability reflected in the Tax Collector's record for all applicants to the Business Tax Penalty Amnesty Program. According to Ms. Levin, additional reports demonstrating appropriate business tax revenue levels may be required from the Treasurer/Tax Collector in order for the Controller to release the reserved funds. The Budget Analyst further recommends that the Treasurer/Tax Collector submit all such reports to the Finance Committee of the Board of Supervisors.

5. Ms. Levin states that the Controller will submit an Amendment of the Whole to the Finance Committee designating the source of funds for the entire \$998,992 as new Business Tax Revenues, instead of appropriating \$998,992 from the General Fund Reserve.

6. According to Ms. Levin, the subject \$701,494 in reserved funds are subject to release by the Controller's Office but are not subject to release by the Board of Supervisors. The Finance Committee may wish to amend the proposed ordinance to require approval by the Finance Committee of the Board of Supervisors prior to the release of the \$701,494 in reserved funds.

**Recommendations:**

1. Amend the proposed ordinance to require that the Treasurer/Tax Collector submit to the Finance Committee all reports prepared to provide information demonstrating that sufficient Business Tax revenue would be generated by the Business Tax Penalty Amnesty Program to fully fund the cost of the Program.

2. Approval of the proposed ordinance, as amended, is a policy matter for the Board of Supervisors.

# Office of the Treasurer

## & Tax Collector

City and County of San Francisco

City Hall, Room 140

#1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102



SUSAN LEAL, Treasurer

## M E M O R A N D U M

TO: Lianne Nahn  
CC: Susan Leal  
FROM: Shana Margolis  
DATE: January 9, 2003  
RE: Proposed Business Tax Amnesty Program Supplemental Appropriation

---

Following are responses to your questions regarding the proposed Business Tax Penalty Amnesty Program Supplemental Appropriation Request.

### 1. Program Summary

The proposed Business Tax Amnesty Program would waive all penalties for businesses that apply and qualify for the amnesty during the 2-month amnesty period. Businesses must pay the principal amount of tax and all interest to qualify. The amnesty program would apply to all businesses that:

- (a) Failed to pay the annual business registration fee;
- (b) Failed to file a tax return, pay tax, or underreported tax; and/or
- (c) Paid registration and/or taxes late.

Following the amnesty period, penalties for delinquent registration and tax filing will increase.

### 2. Purpose of Supplemental Appropriation Request

The Office of the Treasurer & Tax Collector currently does not have sufficient staff to administer the Tax Amnesty Program without curtailing other collection activities. The Office will require additional staff during a 6-month period to prepare and process all amnesty applications and payment arrangements. During the previous Amnesty Program during fiscal year 1994/1995, the Office processed 10,000 applications at a total cost of \$770,952.

### 3. Services to be Delivered

The Office will engage in the following tasks and provide the following services:

- Conduct outreach to the business community, including press releases, advertising in newspapers, and attempting to secure donated billboard and other types of advertising;

- Preparation and mailing of amnesty application forms and materials;
- Staffing of the phone bank to respond to amnesty applicant questions;
- Staffing at counters for walk-in amnesty applicants;
- Programming the business tax computer system to process the applications;
- Programming of the on-line portal to provide online filing of amnesty applications;
- Staffing to process and audit amnesty applications and payments.

#### 4. Anticipated Revenues Resulting from Program

The total amount collected during the fiscal year 1994/1995 Amnesty Program was \$4,949,336 as reported by the former Tax Collector Richard Sullivan. It is impossible to project the amount of revenue that will be generated with a new Amnesty Program. The revenue generated from the program will be dependent on the level of participation in the program from the business community.

#### 5. Description of Supplemental Appropriation Request by Line Item

| <u>Description</u>          | <u>Total Cost</u> | <u>Initial Cost</u> | <u>Reserved</u> | <u>Commentary</u>                                                                                                                                                                                                                                                                              |
|-----------------------------|-------------------|---------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Temporary Salaries          | \$517,816         | \$129,454           | \$388,362       | 9.5 FTE (actually 19 people for 6 months). Detail of staff and their duties is outlined below.                                                                                                                                                                                                 |
| Mandatory Fringe Benefits   | \$40,000          | \$10,000            | \$30,000        | Per Controller's Office                                                                                                                                                                                                                                                                        |
| Official Advertising        | \$30,000          | \$30,000            | 0               | Newspaper advertising of program. All advertising must be done in advance of taking applications to ensure a substantial number of applicants. The Office will attempt to obtain donated billboard and other advertising as per the last program. For details, see <u>Schedule A</u> attached. |
| Materials and Supplies      | \$70,576          | \$70,576            | 0               | Purchase of computers, desks and possibly some cubicles for placement in temporary offices in City Hall to process amnesty applications. For details, see <u>Schedule B</u> attached.                                                                                                          |
| Forms                       | \$3,000           | \$3,000             | 0               | Printing of application forms. All forms must be created and printed prior to commencement.                                                                                                                                                                                                    |
| Internet Portal Programming | \$35,400          | \$35,400            | 0               | Online application programming. Online filing will substantially reduce the staffing cost of processing applications. The consultant, <i>Ciber</i> , was selected through an RFP process hired by DTIS. The RFP was issued in Spring 2002 and the contract was signed in Summer 2002.          |

|                      |                  |                  |                  |                                                                                                                                                                                                                                                     |
|----------------------|------------------|------------------|------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                      |                  |                  |                  | Ciber's costs are estimated at \$25,000. DTIS will also incur programming costs estimated at \$5,000. All portal costs must be incurred prior to the commencement of the project and are not scalable. For details, see <b>Schedule C</b> attached. |
| DTIS programming     | \$260,000        | \$30,000         | \$230,000        | Work order funds to DTIS. This cost is an estimate based on DTIS' programming costs to run the prior amnesty program. The initial cost assumes manual data entry of application forms unless a substantial volume requires automation.              |
| Telephone Service    | \$8,200          | \$8,200          | 0                | Work order funds to DTIS. Separate phone lines for program through DTIS. A high volume of calls is expected that will overwhelm the current phone system. For details, see <b>Schedule D</b> attached.                                              |
| Mail Service         | \$24,000         | \$24,000         | 0                | Work order funds to Reproduction. Time & Postage – 3 oz./24,000. Mailing of notice to known delinquent taxpayers must take place prior to start of program.                                                                                         |
| Reproduction Service | \$10,000         | \$10,000         | 0                | Work order funds to Reproduction. Print and fold 24,000 letters                                                                                                                                                                                     |
| <b>Total</b>         | <b>\$998,992</b> | <b>\$350,630</b> | <b>\$648,362</b> |                                                                                                                                                                                                                                                     |

#### 6. Reason for Placing Some Money on Reserve

The estimated cost of the program is \$997,316 as outlined above. Because it is unknown how much money the program will actually bring in, the Office of the Treasurer & Tax Collector has estimated the minimum amount of money it will take to get the program up and running if few businesses apply for the amnesty. These initial costs are outlined above and include advertising, phone lines, printing and mailing forms and applications, computer and on-line portal programming and 25 percent of the total staff time.

A limited number of staff will begin by focusing on identifying delinquent taxpayers and preparing notices, forms and applications. Additional staff members will be utilized when the amnesty-filing period begins. These employees will staff the phone bank and counters to assist businesses that apply for amnesty. If there is a large response to the program, the Office will employ all estimated temporary positions to process such applications. Additional programming costs will be incurred to provide for automated processing of large quantities of applications.

#### 7. Detail of Temporary Positions

|      |                     | <u>Cost</u> | <u>FTE</u> | <u>Annual</u> |
|------|---------------------|-------------|------------|---------------|
| 4222 | Sr. Auditor         | 37,284      | .5         | 74,568        |
| 4220 | Auditor             | 128,856     | 2          | 64,428        |
| 4308 | Collections Officer | 115,492     | 2          | 57,746        |

|      |                   |           |     |        |
|------|-------------------|-----------|-----|--------|
| 1632 | Sr. Account Clerk | 103,480   | 2   | 51,740 |
| 1630 | Account Clerk     | 89,388    | 2   | 44,694 |
| 1424 | Clerk Typist      | 43,316    | 1   | 43,316 |
|      | Total             | \$517,816 | 9.5 |        |

The clerk/typist and account clerk positions will be responsible for manually entering in the application data into the Business Tax System. It is assumed that one clerk-typist can handle a small volume of applications. However, if a large volume of applications is received, it will be necessary to have DTIS program the system to automate the data entry as one typist will not be able to handle a large volume. If the system is reprogrammed, one clerk-typist position will still be necessary to scan the applications into the system, handle exceptions and file documents.

# SCHEDULE A

## BUSINESS TAX AMNESTY AD COST

For a 3.75" wide x 4" deep paragraph

| NEWSPAPER                                                                        | COST (ONE DAY) | NO. OF DAYS | TOTAL COST  |
|----------------------------------------------------------------------------------|----------------|-------------|-------------|
| SAN FRANCISCO INDEPENDENT<br>Publishes on Saturdays, Tuesdays and Thursdays only | \$573.12       | 4           | \$2,292.48  |
| SAN FRANCISCO EXAMINER<br>Publishes Monday thru Friday                           | \$1,195.20     | 5           | \$5,976.00  |
| SAN FRANCISCO CHRONICLE<br>Publishes everyday                                    |                |             |             |
| SUNDAY:                                                                          | \$4,400.00     | 2           | \$8,800.00  |
| WEEKDAY:                                                                         | \$4,264.00     | 3           | \$12,792.00 |
| TOTAL COST                                                                       |                |             | \$29,860.48 |

## SCHEDULE B

### Breakdown of estimated materials and supplies:

|                                                                      |                   |
|----------------------------------------------------------------------|-------------------|
| 18 computers (PC and monitors) \$1500.00 ea. =                       | \$27,000.         |
| 18 Software licenses:                                                |                   |
| MS Office Professional @ \$500 ea. (database)                        | 9,000.            |
| Rumba Office software for system access @ \$300 ea.                  | 5,400.            |
| 4 Printers and Toner/paper supplies                                  | 5,000.            |
| CITY HALL (for an identified pre-wired location)                     |                   |
| Desks 18 @ \$1232.00 Ea.                                             | \$22,176. Rounded |
| (Any monies left will be applied to cubicle partition Set up costs). |                   |
| Purchase local Area network hardware switch                          | 2,000.            |
| TOTAL: \$ 70,576.                                                    |                   |

IMPORTANT TO NOTE THAT A PRE-WIRED CITY HALL ROOM THAT CAN HANDLE 18 COMPUTERS HAS AS OF THIS DATE NOT BEEN IDENTIFIED. COSTS MAY INCREASE IF WE GO OUTSIDE CITY HALL.

## SCHEDULE C

### BUSINESS TAX AMNESTY ONLINE REGISTRATION

#### Overview:

The Amnesty Registration application would allow businesses (delinquent registrants only) to register online for the Business Registration Certificate and to calculate fees associated with late registration/filing.

General description of the application that we envision:

- Businesses will submit the registration information online and then print and mail a signature slip (which will satisfy the requirement for an original signature). The Tax Amnesty Registration application will calculate registration and payroll tax fees/penalties based on the business start date and the annual payroll cost.
- Payment by check will be mailed along with the signature slip or payment will be made online by credit card or electronic check (convenience fees may apply).
- The registration information will be uploaded to BTS upon receipt of the signature slip and payment (if not already paid online).

#### Cost:

##### Ciber:

|                                   |           |
|-----------------------------------|-----------|
| Project Management                | 40 hours  |
| Technical Architect               | 20 hours  |
| Application Developers/QA Testing | 100 hours |
| Content Developer/Graphic Artist  | 20 hours  |
| Technical Writer                  | 20 hours  |

Ciber Cost: 200 hours @ \$125/hour = \$25,000

DTIS: approx. 100 hours BTS programming at \$104/hour = \$10,400

**TOTAL COST: \$35,400**

## SCHEDULE D

**BREAKDOWN** for a telephone system only at an\*identified, pre-wired,  
location in City Hall for 18 units:

|                                                 |                    |
|-------------------------------------------------|--------------------|
| Installation Costs: 18-line ACD group:          | \$7,700. (rounded) |
| 6408 Set for 18 units at \$427 set = \$7,686.00 |                    |
| Installation                                    | \$ 300.            |
| ACD programming                                 | \$ 200.            |
| <b>TOTAL:</b>                                   | <b>\$8,200.00</b>  |

\*IMPORTANT TO NOTE THAT A PRE-WIRED CITY HALL ROOM THAT  
CAN HANDLE 18 COMPUTERS HAS AS OF THIS DATE NOT BEEN  
IDENTIFIED. COSTS MAY INCREASE IF WE GO OUTSIDE CITY HALL.

# Office of the Treasurer & Tax Collector

City and County of San Francisco

City Hall, Room 140

#1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102



SUSAN LEAL, Treasurer

JAY BANFIELD, Chief Assistant Treasurer

Phone: (415) 554-4478

January 8, 2003

Ms. Leanne Nhan  
Budget Analyst's Office  
1390 Market Street, Suite 1025  
San Francisco, CA 94102

Dear Ms. Nhan,

You have indicated that the latest expenditure projection from the Controller's Office shows a deficit of \$124,569 and a surplus of \$223,843 in salary and fringe benefits, depending upon the methodology used.

These projections, by definition, do not account for the office's staffing plan for the remainder of the fiscal year. As in prior years, the office will hire seasonal personnel for the processing of business tax statements (deadline of February 28, 2003) and property tax statements (deadline of April 10, 2003). The Office of the Treasurer & Tax Collector will also hire positions authorized by the Board of Supervisors to administer the Police Emergency Alarm ordinance, as well as recently vacated collection and auditing positions that generate millions of dollars in tax revenue.

As a result, the Office of the Treasurer & Tax Collector will end the year with neither a deficit nor a surplus in salary and fringe benefits. Our staffing plan will result in salary and fringe benefit expenditures equal to our budgeted amount.

Please feel free to contact me if you would like to discuss this in more detail.

Sincerely,

Jay Banfield

Item 3 - Files 02-1876

**Note:** This item was continued by the Finance Committee at its meeting of January 15, 2002.

**Department:** Department of Administrative Services, Real Estate Division

**Item:** Resolution authorizing the exercise of an extension option at 875 Stevenson Street for various City departments.

**Location:** 875 Stevenson Street: a portion of the first floor, all of the second, third, fourth and fifth floors, 25 parking spaces, and basement storage space.

**Purpose of Lease**

**Extension:** Office space in the amount of 158,442 square feet, as detailed in Attachment I to this report, provided by the Real Estate Division, for the following City Departments and functions: Assessor – Payroll; Controller - Payroll and Personnel; Public Administration and Public Guardian –County Veterans Service; Department of Public Works (DPW) - Payroll, Accounting, Streets and Mapping; MUNI - Security, MIS and Payroll; Reproduction and Mail Services; and, PUC Utilities Engineering Bureau, 25 parking spaces and 3,000 square feet of basement storage for the Law Library.

**Lessor:** Western Mart Co., L.P. (Western Mart)

**Lessee:** City and County of San Francisco through the Real Estate Division

**Term of Lease**

**Extension:** Five years, commencing on December 1, 2002 and terminating on November 30, 2007 (see Comment No. 2).

**Additional**

**Right of Renewal:** On November 30, 2007, the City would have an option to extend the lease for (a) one six month period, and (b) two one year periods.

**Monthly and Annual**

**Rent Payable by  
the City to**

**Western Mart:** The monthly rent payable by the City to Western Mart for 158,442 square feet of office space, 25 parking spaces and 3,000 square feet of basement storage space at 875 Stevenson Street, would be \$290,477 or \$3,485,724 annually

(\$22.00 per square foot or approximately \$1.83 per square foot per month based on the 158,442 square feet of office space). This proposed rent of \$3,485,724 annually would remain the same during the entire five year lease extension. The existing rent is \$218,587 monthly or \$2,623,044 annually (\$16.55 per square foot). Therefore, the proposed lease extension represents an increase of \$862,680 annually (\$71,890 monthly) or 32.9 percent over the existing rent.

**Utilities and  
Janitorial  
Services:**

The City would continue to pay for the costs of electricity, janitorial services, and security guards. According to Mr. Larry Jacobson of the Real Estate Department, the City would pay approximately \$1,050,000 annually for electricity, DPW custodians, and Building and Grounds Patrol Officers. Attachment II to this report, provided by Mr. Jacobson, shows the annual budget for these services.

**Comments:**

1. According to Mr. Jacobson, all of the existing City department tenants would remain at 875 Stevenson Street, with the exception of the PUC Utilities Engineering Bureau which will relocate its offices from the third floor (32,000 square feet) at 875 Stevenson Street to 1155 Market Street before March 1, 2003. The Budget Analyst previously reported to the Finance Committee for a supplemental appropriation ordinance (File 02-1892) approved by the Board of Supervisors on November 25, 2002, that the Department of Aging and Adult Services (DAAS) will move into the third floor at 875 Stevenson Street by August of 2003.<sup>1</sup>

2. Mr. Jacobson advises that the Real Estate Division is bringing the subject resolution to the Board of Supervisors, after the existing lease expired on November 30, 2002, because the City and Western Mart only reached an agreement on November 21, 2002. Mr. Jacobson states that the City is not renting the space at 875 Stevenson Street on a month to month basis but is rather waiting for retroactive

---

<sup>1</sup> The PUC will pay for the relocation and improvement expenses of the DAAS, which will cost \$298,000 from funds appropriated in the supplemental appropriation (File 02-1892), and for four of the five months (March of 2002 through January of 2003) at the existing rent rate (\$759,942 annually, \$63,328.50 monthly), which will cost the PUC \$253,314 from funds approved in their FY 2002-2003 budget.

approval to reimburse Western Mart for December's rent payment under the terms of the proposed five year lease extension. The proposed resolution should therefore be amended to provide for retroactivity.

3. As explained in Attachment II to this report, Mr. Jacobson states that an independent appraiser, David Bohegian, determined the prevailing market rental rate at 875 Stevenson Street to be approximately \$1.83 per square foot per month (\$22.00 per square foot per year), or \$3,485,724 annually for the 158,448 square feet of office space which the City is leasing. Mr. Jacobson states that the Real Estate Department agrees that Mr. Bohegian's independent appraisal of the market rental rate of the property represents fair market value.

4. According to Mr. Jacobson, the Real Estate Division is in the process of negotiating the same rental rate currently being charged until the City's projected financial shortfall is resolved. Mr. Jacobson states that these negotiations are still in process. Mr. Jacobson notes that any delay in paying the proposed rent increase of 32.9 percent as was negotiated under the proposed resolution, would require the City to pay back to the lessor, Western Mart, the difference owed, including interest, between the rent to be negotiated and the increased rent as was previously negotiated under this proposed resolution.

5. Mr. Jacobson advises that the Real Estate Division will request that this subject resolution be continued to the Call of the Chair until the negotiations described in Comment No. 4 above are finalized.

**Recommendations:** 1) In accordance with Comment No. 2, amend the subject resolution to provide for retroactivity.

2) As requested by the Real Estate Division, continue the proposed resolution to the Call of the Chair.

## 875 STEVENSON RENT ALLOCATION

Attachment I

| <u>Department</u>                       | <u>BOMA<br/>Area</u> | <u>Rent Per<br/>Sq. Ft.</u> | <u>Monthly<br/>Rent</u> | <u>Annual<br/>Rent</u> |
|-----------------------------------------|----------------------|-----------------------------|-------------------------|------------------------|
| Reproduction (1st)                      | 9,396                | 1.8333                      | 17,226                  | 206,708                |
| DTIS (1st, 5th)                         | 35,158               | 1.8333                      | 64,455                  | 773,462                |
| Assessor/Recorder (1st)                 | 9,934                | 1.8333                      | 18,212                  | 218,544                |
| Lobby                                   | 0                    |                             |                         |                        |
| Public Administrator (2nd)              | 1,030                | 1.8333                      | 1,888                   | 22,660                 |
| Muni (formerly Pub. Admin. Space)       | 12,248               | 1.8333                      | 22,454                  | 269,451                |
| Muni (2nd)                              | 8,873                | 1.8333                      | 16,267                  | 195,202                |
| Controller - PPSD (2nd & 3rd)           | 13,230               | 1.8333                      | 24,255                  | 291,056                |
| PUC (3rd)                               | 33,146               | 1.8333                      | 60,767                  | 729,199                |
| DPW (4th)                               | 33,700               | 1.8333                      | 61,782                  | 741,387                |
| Café (4th)                              |                      |                             |                         |                        |
| Storage (1st)                           | 1,727                | 1.8333                      | 3,166                   | 37,993                 |
| (Storage: Treasurer 50%, Human Ser. 30% |                      |                             |                         |                        |
| Retirement 10%, Controller 5%           |                      |                             |                         |                        |
| Purchaser 5%)                           |                      |                             |                         |                        |
| <b>Totals</b>                           | <b>158,442</b>       |                             | <b>\$290,472</b>        | <b>\$3,485,661</b>     |

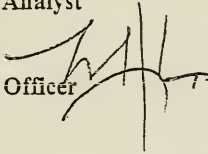
ATTACHMENT #1 RE: File 02-1876

MEMORANDUM

DATE: December 4, 2002

TO: Harvey Rose, Budget Analyst

FROM: Larry Jacobson  
Senior Real Property Officer



The following items are in response to your office's questions:

1. The reason that this resolution is being submitted to the Board of Supervisors after December 1, 2002 is that negotiations began in June 2002, and were not completed until November 21, 2002; too late to meet the December 1, 2002 deadline.
2. Paragraph 9 of the First Amendment of the lease describes the process for establishing an extension option rental rate; this process was used by the Mart (Landlord) and the City (Tenant). First it states "At the commencement of each Extended Term, the Rent shall be adjusted to equal ninety-five percent (95%) of the Prevailing Market Rate .....". The Amendment also includes a process for each party to hire an appraiser. If the appraisers' value is more than 10% apart, a third appraiser will be hired. The third appraiser will then average his value with the closer of the two previous appraisals. "This third appraisal will then be averaged with the closer of the two previous appraisals and the result shall be the Prevailing Market Rate".

The 875 Stevenson Street Landlord's appraiser (Rhoades) recommended a \$26.50 per square foot rental rate, while the City's appraiser (Carneghi) set forth a rate of \$12.38 per square foot. The third appraiser (Bohegian) was hired by the City and the Landlord, and established a rate of \$22.00 per square foot.

If the City and the Landlord strictly followed the mechanism outlined in the lease, the Prevailing Market Rate would have been midpoint between the Rhodes appraisal (\$26.50) and the Bohegian appraisal (\$22.00) specifically \$24.25 per square foot. The City and the Landlord, however, agreed to accept the Bohegian rental rate of \$22.00, which is less than 95% of the \$24.25 (\$23.03). It was advantageous to the City to accept \$22.00 rather than 95% of \$24.25.

3. According to the terms of the lease, the City is obligated to lease the entire 158,442 square foot premises. The third floor of the subject building is presently occupied by the Public Utilities Commission staff. The staff will be moved to 1155 Market Street in the spring of 2003. The furniture, telephones and servers will remain in the leased space to be used by the next tenant: Department of Aging and Adult Services will move in as soon as is practical. Any large office move normally takes 60 to 90 days to have one tenant move out and a new tenant move in. The Real Estate Division anticipates that the time available will facilitate a smooth transition from PUC to DAAS.
4. The cost of security, janitorial / maintenance and electricity during the current fiscal year is as follows:

|             |               |
|-------------|---------------|
| Security    | \$264,000     |
| DPW/Maint.  | 701,000       |
| Electricity | <u>85,000</u> |
|             | \$1,050,000   |

Larry Jacobson 12/4/02

Item 4- File 02-1703

**Departments:** Department of Public Works (DPW)  
Department of Parking and Traffic (DPT)  
Department of Building Inspection (DBI)

**Item:** Hearing to review progress made toward implementation of Street Space Permit reform (File 02-1067) previously approved by the Board of Supervisors on August 12, 2002. This hearing is to focus on an update from the Department of Public Works (DPW), Department of Building Inspection (DBI), and the Department of Parking and Traffic (DPT) regarding the status of actual fee collections, enhanced enforcement regarding the rules of Street Space occupancy, improved signage to indicate to the public reserved on-street spaces and a local hotline for residents with concerns about specific street permits.

**Description:** On August 12, 2002 the Board of Supervisors approved File No. 02-1067 which primarily established a new fee structure for Street Space Occupancy Permit fees, including assessing right-of-way occupancy costs and providing for fee refunds. Prior to the passage of the new fees, the Street Space Occupancy Permit fee was one-tenth of one percent of the construction project value regardless of the duration of the permit and the amount of space reserved. The new fees approved by the Board of Supervisors include: (1) a Street Space Occupancy Permit fee and (2) a Public Right-of-Way Occupancy assessment. The permit fee is \$10.45 per month per 20 linear feet or fraction thereof, and the public right-of-way assessment is \$29.55 per 20 linear feet, resulting in a total fee of \$40 per space per month for up to 20 linear feet.

**Comments:** 1. According to Ms. Tina Olson of DPW, in FY 2001-2002, total actual revenues received from Street Space Occupancy Permit fees were approximately \$1,300,000. Ms. Olson projected in July of 2002 that (a) continuation of the existing fees would generate fee revenue of \$1,412,716 in FY 2002-2003 and (b) approval of the new fee structure would generate revenues of \$4,533,621 in FY 2002-2003 based on the new fee structure becoming effective on September 1, 2002, and assuming constant demand for Street Space Occupancy Permits. On an

BOARD OF SUPERVISORS  
BUDGET ANALYST

annual basis, Ms. Olson projected the new fee structure would generate a total of \$5,511,495 annually, which is \$4,211,495 or 324 percent more than annual revenues of approximately \$1,300,000 realized in FY 2001-2002. These fees accrue to the General Fund.

2. According to Mr. Ben Rosenfield of the Mayor's Office, the FY 2002-2003 budget included two technical adjustments approved by the Board of Supervisors, which appropriated a total of \$3,120,905 of the projected new street space occupancy fees and assessment revenues. Of this \$3,120,905 appropriation, \$741,370 was appropriated for additional DPW expenditures and \$2,379,535 was appropriated to fund other General Fund expenditures. Based on the new fee structure, \$4,533,621 was appropriated by the Board of Supervisors in the FY 2002-2003 budget from the estimated Street Space Occupancy Permit fee and Public Right-of-Way Occupancy assessment assuming the new fee structure becoming effective on September 1, 2002.

3. The Budget Analyst's report on File No. 02-1067, dated August 1, 2002, states "street space occupancy fee and occupancy assessment revenues are likely to be less than the total estimated revenues of \$4,533,621 in FY 2002-2003 if increased enforcement and towing of permit holders' vehicles result in decreased demand for street space occupancy permits." This report also noted "that the intent of the Sponsor's Office in developing the legislation was to encourage contractors to reserve the minimum amount of on-street parking required for construction projects in order to provide the maximum on-street parking to the public." Ms. Olson also stated that "DPW cannot accurately estimate with certainty the impact that the increased fees and the additional enforcement will have on the demand for street space permits." In response to our report and Ms. Olson's concerns, Mr. Rosenfield stated that "the Mayor's Budget Office would work with DPW and the Controller to monitor actual revenue collections during the course of the fiscal year and adjust spending levels should such adjustments be required."

4. According to Ms. Olson, based on activity between October 1, 2002 through December 30, 2002, Street Space Occupancy Permit fee and Public Right-of-Way Occupancy assessments are currently estimated to generate revenues of \$1,256,400 in FY 2002-2003, which is \$3,277,221 or approximately 72 percent less than the DPW projections in July of 2002 of \$4,533,621. Ms. Olson notes that if construction activities increase in the Spring, Street Space Occupancy Permit fee revenues and Public Right-of-Way Occupancy assessment revenues would increase above the current estimates. The Attachment to this report, provided by Ms. Olson, explains why the new fee structure is now projected to generate revenues in FY 2002-2003 which are approximately 72 percent less than the prior DPW projections in July of 2002.

Willie Lewis Brown, Jr., Mayor  
Edwin M. Lee, DirectorDepartment of Public Works  
Finance and Budget Division  
City Hall, Room 340  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4642  
Tina Olson, Division Manager

## MEMORANDUM

Date: January 10, 2003

To: Elaine Forbes, Budget Analyst's Office

From: Tina Olson, DPW

Subject: Street Space Fee Revenue Projections

As requested, the following is a summary of the assumptions I used to develop Street Space fee revenue projections in July 2002, actual revenues realized from October 2002 through December 2002, the variance between actual and projected revenues and the reason for the variance.

Please note that we have only had three months of experience implementing the new Street Space fee and that experience is in the late fall and early winter months when construction activity tends to be slower than in the spring and summer months. Thus, a straight-line projection on these three months is likely to result in an amount less than it would if we had at least six months of data and preferably nine months. At this time, DPW is projecting to receive a total of approximately \$1.5 million from the Street Space fee in FY 2002-03 including revenues collected July 2002 through September 2002 under the previous Street Space fee legislation. However, if construction activity picks up in the spring and summer FY 2002-03 Street Space revenues should be greater than \$1.5 million.

### *July 2002 Street Space Revenue Projections*

I calculated the revenues generated of \$5,030,112 annually by the \$40 monthly fee based on the five-year average number of residential and commercial projects street space permits issued (1,616 residential plus 1,007 commercial = 2,623) multiplied by the average construction duration for residential and commercial projects (6 months and 12 months respectively) multiplied by the average number of parking spaces required by residential and commercial projects (3 and 8 respectively).

I determined average construction durations and average number of parking spaces required based on conversations with several DPW staff experienced in overseeing construction projects. DPW didn't have a database that tracked this information.

### ***Experience from October 2002 through December 2002***

As described in the attached spreadsheet, we are currently projecting to issue a total of 3,372 Street Space permits in FY 2003-04 which is greater than the July 2002 projection. However, the average occupancy time is significantly less than projected. Specifically, from October 1, 2002 through December 31, 2003 the average residential permit duration is 1.25 months and the average commercial permit is six months. Because a contractor can only seek a permit for six-month intervals, the average commercial permit may be greater than six months. Sixty percent of the residential permits are related to roofing projects that only require one-month permits. As a result, the average residential permit duration of 1.25 months reflects the preponderance of roofing projects.

Since October 1, 2002, the average Street Space permit in residential areas has reserved 2 parking spaces and the average Street Space permit in commercial areas has reserved 3.75 parking spaces.

As previously indicated, contractors typically seek street space permits for larger construction projects in the spring and summer months. Thus, the 3-months experience of October through December permits may not be representative of the types of Street Space permits we will issue for the remaining six months of FY 2002-03.

### ***Analysis***

The following are some reasons for the differential in the projected permit durations and parking spaces.

- Since the economy has slowed down, the types of construction projects seeking permits are smaller renovation projects that require fewer parking spaces for fewer months. As previously noted, sixty percent of the residential Street Space permits have been for roofing projects.
- The new Street Space fee methodology is providing a disincentive to contractors to take more spaces for longer durations than they really need. Many contractors are taking out one to three month Street Space permits for projects with 6-month construction permits. We should understand the long-term effect the new fee has on contractor behavior better over the next two to three years.

Analysis of Street Space Permit Fees  
Based on October 2002 through December 2002 Permits Issued

| Permit Type          | Projected Number of Permits | Street Space Permit Duration in Months | Average | Total Permits If Street Space Fee Were Monthly | Average Number of Parking Spaces Required | Total Permits by Parking Space | Monthly Permit Fee Per Parking Space | Total Revenues |
|----------------------|-----------------------------|----------------------------------------|---------|------------------------------------------------|-------------------------------------------|--------------------------------|--------------------------------------|----------------|
| Residential Projects | 2,223                       | 1.25                                   |         | 2,779                                          | 2.0                                       | 5,558                          | \$40.00                              | \$222,300      |
| Commercial Projects  | 1,149                       | 6                                      |         | 6,894                                          | 3.8                                       | 25,853                         | 40.00                                | 1,034,100      |
| Total                | 3,372                       |                                        |         | 9,673                                          | 5.8                                       | 31,410                         |                                      | \$1,256,400    |

Notes:

1. A larger number of Street Space permits are issued in the Spring and Summer months. Thus, actual Street Space revenues generated by the new Street Space fee should be greater than projected.
2. Unclear whether commercial permit holders will seek longer permit duration since the City's legislation limits permits to six months.
3. Unclear whether the new Street Space fee permanently changed contractor behavior in terms of spaces and duration requested.

Item 5 – File 02-1995

**Departments:** Department of Telecommunications and Information Services (DTIS)  
Emergency Communications Department (ECD)  
San Francisco Police Department (SFPD)  
Treasurer/Tax Collector

**Item:** Ordinance amending the San Francisco Police Code by amending Sections 3710, and 3711 through 3720, by adding Sections 3710.1 through 3710.9 and adding a new Section 3721, and by re-numbering current Section 3721 as Section 3722, to give the Director of Emergency Communications responsibility for administering the substantive provisions of the Police Emergency Alarm Ordinance and to provide for billing and collection of license and license renewal fees by alarm companies.

**Description:** The proposed ordinance would amend the Police Emergency Alarm Ordinance for the annual licensing of emergency alarm systems for commercial and residential buildings to transfer responsibility for administering the Police Emergency Alarm Ordinance from the Treasurer/Tax Collector to the Director of the Emergency Communications Department (ECD) and to provide for billing and collection of the annual license fee and the license renewal fee from alarm users by alarm companies. This proposed ordinance would also require alarm installation companies (a) to collect the alarm license fees from new customers prior to the installation of a new alarm system and (b) to remit the collected fees to the Treasurer/Tax Collector.

In June of 2002 (File 02-1078), the Board of Supervisors approved a new Police Emergency Alarm Ordinance, which established the following new permits and fees: (i) a \$60 permit for commercial building emergency alarm systems; (ii) a \$40 permit for residential building emergency alarm systems and imposed penalties for false alarms; and (iii) penalty fees to an individual alarm user of \$100 for the second false alarm during the calendar year, \$150 for the third false alarm during the calendar year, \$200 for the fourth false alarm during the calendar year, and \$250 per false alarm for any additional false alarms during the calendar year. Under the proposed

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

ordinance, the aforementioned fee levels would remain the same. However, the proposed ordinance would amend the Police Emergency Alarm Ordinance to require a license rather than a permit be obtained by commercial and residential alarm users and adds a \$100 penalty for operating a non-licensed alarm system. Mr. William Lee of the ECD advises that the proposed ordinance would require a license rather than a permit because the Tax Collector's Licensing System recognizes a "permit" as an authorization instrument with a fee that is charged and paid only one time, whereas, a "license" is recognized as a renewable instrument payable on an annual basis.

Presently, the provisions of the existing Police Emergency Alarm Ordinance do not provide for alarm companies to collect permit and permit renewal fees and do not require alarm companies to collect the permit fee from new customers prior to the installation of a new alarm system. Mr. Lee advises that under the provisions of the existing ordinance the Treasurer/Tax Collector is required to attempt to contact each individual alarm user directly to collect the fees. Mr. Lee reports that the proposed changes would require alarm installation companies to collect the alarm license fees from new customers prior to the installation of a new alarm system and to remit the collected fees to the Treasurer/Tax Collector. The proposed amendments would require every alarm monitoring company doing business in San Francisco to send the Treasurer/Tax Collector a complete list of its customers and alarm systems located in San Francisco on the effective date of the ordinance. The proposed amendments provide that alarm monitoring companies make a good faith effort to collect the alarm license and/or renewal fee from existing customers and that alarm monitoring companies refer an alarm user's account to the Treasurer/Tax Collector if the license renewal fee is more than 30 days late. However, the proposed amendments do not require the alarm monitoring companies to cancel service to a customer for failure to pay. The proposed ordinance would require alarm users to renew their alarm licenses annually prior to the expiration of the license on January 1 of each year. Under the existing ordinance, alarm users are required to submit the renewal fee to the Treasurer/Tax Collector. The proposed changes would require the alarm users to submit an updated license

**BOARD OF SUPERVISORS**

**BUDGET ANALYST**

application and to pay the renewal fee to either the Treasurer/Tax Collector or directly to alarm monitoring companies, who would then remit such fees to the Treasurer/Tax Collector no later than the last day of the month following the month of collection.

The review of City fees conducted by the Mayor's Budget Office in the spring of 2002 recommended implementation of a new permit and fee for emergency alarm systems and a new penalty for repeat false alarms by the same alarm system. As previously noted, such fees were approved by the Board of Supervisors. Of the estimated 60,000 alarms necessitating a Police Department response annually, an estimated 96 percent, or 57,600, are false alarms. Because the City has a policy of 100 percent response to all alarms, the Police Department responds to each of the estimated 60,000 alarms at commercial and residential buildings each year, which costs the Police Department over \$3.5 million annually, according to the Controller's Office. The alarm license fee and false alarm penalty revenues, estimated by the Controller's Office to be \$1,950,835, were included in ECD's FY 2002-2003 budget to cover the cost of a new informational technology (IT) system for licensing and for the billing and the collection of the license and license renewal fees, new collections personnel in the Treasurer/Tax Collector's Office and to more fully cover the cost of Police response to false alarms. However, as reported to the Board of Supervisors' Budget Committee in June of 2002, even if all of the projected revenues of \$1,950,835 for the Alarm Fee and False Alarm Penalty Fee were realized, such revenues would still only recover approximately 51.5 percent of the total estimated cost to the General Fund of \$3,790,592 to respond to false alarms and to administer the licenses. The balance of an estimated \$1,839,757 would remain a cost to the General Fund. The Budget Analyst notes that all of the costs associated with responding to false alarms are currently borne by the General Fund.

**Comments:**

1. Mr. Lee states that none of the existing alarm fees and penalties previously approved by the Board of Supervisors in June 2002 have been either billed or collected from alarm users and therefore no revenues have been collected in FY 2002-2003 because of the difficulties in locating and contacting the estimated 30,000 individual

**BOARD OF SUPERVISORS**

**BUDGET ANALYST**

alarm users. Therefore, Mr. Lee advises, the proposed amendments to the Police Emergency Alarm Ordinance include a new provision that permits alarm monitoring companies (a) to collect the license and license renewal fees from alarm users and issue license applications to such users in order to facilitate locating and billing the individual alarm users and (b) to remit such fees to the Treasurer/Tax Collector. As stated above, the proposed ordinance also requires alarm companies to collect the license fee from new customers prior to the installation of a new alarm system and to remit all fees collected to the Treasurer/Tax Collector.

2. According to Ms. Marla Taylor of the Controller's Office, emergency alarm fee revenues for FY 2002-2003 are currently estimated at \$1,000,000, including no revenues estimated for the False Alarm Penalty Fee. This new estimate of \$1,000,000 is \$950,835 or 48.7 percent less than the prior estimate of \$1,950,835 included in ECD's FY 2002-2003 budget.

3. The FY 2002-2003 budget appropriated total expenditures of \$272,146 for the implementation of the Police Emergency Alarm Ordinance. These expenditures included (a) \$3,160 for supplies for training for Police personnel; (b) \$95,252 for Treasurer/Tax Collector personnel and materials & supplies including 0.25 new FTE 4308 Senior Collections Officer and 1.5 (2 positions) new FTE 1630 Account Clerks, three new computers, three chairs and three desks for the new personnel; (c) \$75,000 for enhancements to the ECD informational technology (IT) system to be implemented by the Department of Telecommunications and Information Services (DTIS); (d) \$75,000 for DTIS to implement the billing and collection system for Treasurer/Tax Collector; and (e) \$23,734 for Police Overtime for training.

4. Mr. Bink Feldkamp of DTIS reports that DTIS is in the process of developing the IT system for licensing and for the billing by the Treasurer/Tax Collector and the collection of license and license renewal fees by the Treasurer/Tax Collector. Mr. Feldkamp further reports that as of December 31, 2002, approximately \$35,000 had been expended on the IT system. DTIS has expended the \$35,000 on: (a) initial analysis of the system requirements

**BOARD OF SUPERVISORS**

**BUDGET ANALYST**

and the ordinance itself, (b) attending and participating in the various meetings, (c) reviewing options for an IT solution, (d) developing a requirements scope document, and (e) beginning the development of the final system. According to Mr. Lee, none of the remaining \$237,146 (\$272,146 less \$35,000) included in the FY 2002-2003 budget for has been expended. Mr. Lee further reports that none of the 1.75 FTEs representing three new positions, as listed above, who will be responsible for the billing and collection of the license and license renewal fees in the Treasurer/Tax Collector's Office, have been filled.

5. Mr. Lee reports that the proposed amendments to the Police Emergency Alarm Ordinance provide for the transfer of responsibility for administering the regulatory functions of the Police Emergency Alarm Ordinance from the Treasurer/Tax Collector to the ECD because the Treasurer/Tax Collector has responsibility for billing and collection functions. Under the proposed amendments, Mr. Lee advises that ECD would be the direct contact for alarm users and alarm companies for hearings and appeals for penalties and/or revocation of an alarm license. Presently, the Treasurer/Tax Collector has responsibility for those regulatory responsibilities. Ms. Shana Margolis of the Treasurer/Tax Collector's Office advises that the new 4308 Senior Collections Officer (0.25 FTE in FY 2002-2003) and two new 1630 Account Clerks (1.5 FTE in FY 2002-2003) were authorized specifically to be responsible for the billing and collection of the fees, fee renewals and penalties in accordance with the Police Emergency Alarm Ordinance. Ms. Margolis reports that the bulk of the billings and collections work will pertain to penalties charged for false alarms and not to the annual licensing for the alarm systems.

6. Ms. Margolis now states the three authorized positions included in the Treasurer/Tax Collector's FY 2002-2003 will not be sufficient to handle the work related to the projected 57,600 false alarms since, according to Ms. Margolis, the estimated number of false alarms previously provided to the Treasurer/Tax Collector was 26,000 when personnel were requested during the FY 2002-2003 budget. The Budget Analyst notes that the three positions were designated as L, or limited tenure,

BOARD OF SUPERVISORS

BUDGET ANALYST

positions in the FY 2002-2003 budget. The Budget Analyst recommended the three positions be limited tenure positions because workload data was not available for the new positions. Therefore, the Budget Analyst recommended that the positions be evaluated after the Police Emergency Alarm Ordinance is implemented to determine the staffing requirements based on actual workload data. The Budget Analyst will review the three positions as well as any additional budget requests related to this ordinance as part of the annual budget review for FY 2003-2004.

**Recommendation:** Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 6 – File 02-1976

**Department:** Public Library

**Item:** Resolution authorizing the Public Library to accept and expend a grant in the amount of \$13,815 from the California State Library as part of the Federal Library Services and Technology Act (LSTA) to reimburse tuition expenses of six Library Employees pursuing a degree or certification in Library Science at an institution of higher education. Employees participating in the program applied to, and were selected by, the California State Library.

**Amount:** \$13,815

**Grant Period:** October 7, 2002 through September 30, 2003 (approximately one-year. See Comment No. 1)

**Source of Funds:** California State Library Act-LSTA (See Comment No. 2)

**Required Match:** None required

**Indirect Costs:** \$1,256 (ten percent of \$12,559 in direct costs)

**Description:** The proposed resolution would authorize the San Francisco Public Library (Public Library) to accept and expend a grant from the California State Library to reimburse tuition for six Public Library non-librarian staff pursuing a degree or certificate in Library Science at an institution of higher education.

Six Public Library employees applied for and were accepted into the proposed tuition reimbursement program for non-librarians, offered by the California State Library. The California State Library has awarded \$12,559 to the Public Library for tuition reimbursement for three semesters, Fall 2002, Spring 2003 and Summer 2003, in the accredited Library Science program at San Jose State University. The California State Library also provided an additional \$1,256, or 10 percent of direct costs, to cover indirect costs for the Public Library, for a total grant amount of \$13,815. According to Ms. Mary Hudson from the Public Library, the six selected Public

BOARD OF SUPERVISORS

BUDGET ANALYST

Library employees must provide official transcripts and registration fee receipts to the Library's Director of Human Resources, before they can be reimbursed. According to Ms. Hudson, Public Library employees are not paid for time spent taking courses.

**Budget:**

| <u>Tuition Reimbursements for 6 Public Library Employees</u> |              |
|--------------------------------------------------------------|--------------|
| Lynne Barnes                                                 | \$2,865      |
| Donya Drummond                                               | 1,945        |
| Maricela Leon                                                | 1,847        |
| Elaine Tanzman                                               | 1,895        |
| Nicole Termini                                               | 1,482        |
| Sally Wong                                                   | <u>2,525</u> |
| Subtotal                                                     | \$12,559     |
| Indirect Costs                                               | <u>1,256</u> |
| Total                                                        | \$13,815     |

The subject grant would reimburse the six Public Library employees' tuition costs. The amounts of the tuition awards were determined on an individual basis by a State Library review panel to whom the students submitted an application and essay, and vary based on the number of courses to be taken. Ms. Hudson advises that the tuition costs were based on the actual costs provided by the San Jose State University Library Science School.

**Comments:**

1. Although the subject grant period began on October 7, 2002, Ms. Hudson reports that the Public Library has not yet accepted or expended the subject grant. According to Ms. Hudson, the tuition for the six Public Library employees will be paid on a reimbursement basis only at the end of the semester after the employees have provided official transcripts and registration fee receipts to the Library's Director of Human Resources. Ms. Hudson advises that such payments would not be made until the end of January 2003. Therefore, the proposed resolution is not retroactive. Ms. Hudson advises that the subject grant is only now coming to the Board, over three months after the grant period began, due to administrative delays in the Public Library.

2. The California State Library's major function is to support California's libraries, Statewide. These services

are combined into financial assistance and technical consulting programs to address current California library needs. LSTA grants require quarterly and final reports on financial and program activities to be submitted to the California State Library. Ms. Hudson advises that the Public Library would comply with all of the reporting requirements. Ms. Hudson advises that the California State Library tuition reimbursement program is an ongoing State program. In October of 2001, the California State Library awarded the Public Library \$16,267, including \$1,627 for indirect costs, for tuition reimbursement for seven Public Library employees for the period of October 1, 2001 through September 30, 2002 (File 01-2217). Ms. Hudson further advises that the Public Library anticipates applying for such funding again next year.

3. The Attachment is the Public Library's Grant Application Information Form, which includes the Disability Access Checklist. The Grant Application Information Form incorrectly states that the grant period is "upon approval" through September 30, 2002, when it should state from October 7, 2002 through September 30, 2003.

**Recommendation:** Approve the proposed resolution.

**Grant Information Form**  
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: Public Library Staff Education Program

2. Department: Public Library

3. Contact Person: Mary Hudson Telephone: 557-4235

4. Grant Approval Status (check one):

☒ [X] Approved by funding agency

☐ [ ] Not yet approved

5. Amount of Grant Funding Approved or Applied for: \$13,815

6a. Matching Funds Required: None

b. Source(s) of matching funds (if applicable):

7a. Grant Source Agency: California State Library & California Library Act

b. Grant Pass-Through Agency (if applicable):

8. Proposed Grant Project Summary:

These funds are to reimburse six non-professional library staff members for tuition costs of Library coursework at an accredited college. The employees applied to the State Library, were reviewed and accepted by the program panel at the State level. The Human Resources Department of the Library will monitor the program and review student transcripts and fee receipts prior to issuing reimbursement funds.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: Upon Approval

End-Date: September 30, 2003

10. Number of new positions created and funded: 0

11. If new positions are created, explain the disposition of employees once the grant ends? N/A

12a. Amount budgeted for contractual services: \$0

b. Will contractual services be put out to bid?

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements?

d. Is this likely to be a one-time or ongoing request for contracting out?

3a. Does the budget include indirect costs?

☒ Yes

☐ No

Attachment  
Page 2 of 2

b1. If yes, how much? \$1,256

b2. How was the amount calculated? 10% State Allowance

c. If no, why are indirect costs not included?

☐ Not allowed by granting agency

☐ To maximize use of grant funds on direct services

☐ Other (please explain):

4. Any other significant grant requirements or comments: No

### Disability Access Checklist\*\*\*

5. This Grant is intended for activities at (check all that apply):

☐ Existing Site(s)

☐ Existing Structure(s)

☒ Existing Program(s) or Service(s)

☐ Rehabilitated Site(s)

☐ Rehabilitated Structure(s)

☐ New Program(s) or Service(s)

☐ New Site(s)

☐ New Structure(s)

6. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

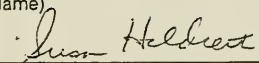
Departmental or Mayor's Office of Disability Reviewer:

Marti Goddard, Access Services Manager  
(Name)

Date Reviewed: \_\_\_\_\_

Department Approval: Susan Hildreth  
(Name)

City Librarian  
(Title)

  
(Signature)

Item 7 – File 02-1973

- Departments:** Municipal Transportation Authority (MTA)  
Municipal Railway (Muni)
- Item:** Resolution approving the award of Municipal Railway Contract No. CS-138 for Professional Engineering and Other Support Services for the Muni Metro Third Street Light Rail Project: New Central Subway, with the Joint Venture of Parsons Brinckerhoff Quade & Douglas, Inc. and PGH Wong Engineering, Inc., to provide necessary professional engineering and other support services in an amount not to exceed \$29,800,000, and for a term not to exceed five years.
- Description:** The proposed resolution would approve a contract not-to-exceed \$29,800,000 between Muni and a Joint Venture comprised of Parsons Brinckerhoff Quade & Douglas, Inc. and PGH Wong Engineering, Inc. (PB/Wong) for professional engineering and other support services, including conceptual engineering services<sup>1</sup> and preliminary engineering services<sup>2</sup> for the New Central Subway of the Third Street Light Rail Project. The proposed contract includes a detailed list and schedule of 88 tasks to be completed and deliverable to Muni by PB/Wong.

On November 19, 2002, the Municipal Transportation Agency (MTA) Board of Directors approved the subject contract with PB/Wong for an amount not to exceed \$29,800,000 and approved an initial expenditure of not to exceed \$4,300,000 (see Comment No. 2). The MTA approved \$4,300,000 of the \$29,800,000 contract to begin conceptual engineering on the New Central Subway. The subject resolution provides that the MTA will not authorize the preliminary engineering design work to begin unless (1) PB/Wong has satisfactorily completed

---

<sup>1</sup> The Scope of Work included in the Request for Proposals for the subject contract states that the Conceptual Engineering phase of the contract will include "completion of all necessary and relevant studies/investigation, design criteria, functional requirements, leading to well defined, adequate, feasible, cost-effective design concepts to launch directly into Preliminary Engineering (the first part of Final Design)."

<sup>2</sup> The Scope of Work included in the Request for Proposals for the subject contract states that "completion of Preliminary Engineering Design for this Contract shall be defined as the final development and completion of all necessary and relevant studies, criteria and concepts for the Project AND the 35% completion of detailed design (final design), i.e., 35% completion of what could eventually be the construction contract bid documents for a traditional design/bid/construction project."

conceptual engineering; (2) additional funds are made available by the Federal Transit Administration (FTA) and the State; and (3) the FTA grants approval to begin preliminary engineering.

The Third Street Light Rail Project is comprised of two phases. Phase 1 will extend Muni Metro light rail service south from its current terminal at Fourth and King Streets. The line will cross the Fourth Street Bridge and run along Third Street and Bayshore Boulevard, ending at the Bayshore CalTrain Station in Visitacion Valley. Tracks will be constructed primarily in the center of Third Street to improve safety and reliability and 19 stops will be provided. Phase 1 is scheduled to be completed and open for service in 2005. The estimated cost for Phase 1 is \$583,900,000, which includes the purchase of 25 new light rail vehicles. Phase 2 will extend light rail service north from King Street along Third Street, entering a new Central Subway near Bryant Street, crossing beneath Market Street and running under Geary and Stockton Streets to Stockton and Clay Streets. Underground subway stations will be located at Moscone Center, Market Street, Union Square and Clay Street in Chinatown. Phase 2 is scheduled to be completed and open for service in 2011. The estimated cost for Phase 2 is \$763,900,000. Therefore the total estimated cost for Phases 1 and 2 of the Third Street Light Rail Project is \$1,347,800,000. Attachment I, provided by Muni, contains a budget totaling \$1,347,800,000 for the Third Street Light Rail Project including this subject contract of \$29,800,000 and contains anticipated funding sources to pay for the \$1,347,800,000 project, including the funding source for the subject contract of \$29,800,000. The \$4.3 million approved for expenditure by the MTA will be funded by State of California Traffic Congestion Relief Program funds allocated for the Third Street Light Rail Project. Mr. Thomas states that the funding for the new Central Subway will be from the FTA's New Starts Program funds, State of California Traffic Congestion Relief Program funds and Proposition B Sales Tax funds. However, as of the writing of this report, with the exception of the \$4.3 million from State Traffic Congestion Relief Program funds, Muni has not finally determined the specific amounts of the funding sources

for the remaining \$25,500,000 of the subject \$29,800,000 contract.

**Budget:**

Muni has provided a detailed expenditure budget for the proposed not-to-exceed contract with PB/Wong of \$29,800,000, for Professional Engineering and Other Support Services for the Muni Metro Third Street Light Rail Project: New Central Subway. The Budget Analyst has reviewed the detailed budget. A summary of that budget is as follows:

| <u>Conceptual Engineering</u>                                                                                                   | <u>Amount</u>    |
|---------------------------------------------------------------------------------------------------------------------------------|------------------|
| Labor                                                                                                                           | \$4,813,379      |
| Overhead                                                                                                                        | <u>6,253,396</u> |
| Subtotal                                                                                                                        | \$11,066,775     |
| Profit on the subtotal of \$11,066,775<br>for Labor and Overhead<br>(9.31 % of Labor and Overhead Costs,<br>see Comment No. 3)  | 1,030,270        |
| Other Expenses including Geotechnical<br>Equipment, Printing and Travel                                                         | 1,388,263        |
| Allowance for Additional Studies<br>(see Comment No. 4)                                                                         | <u>750,000</u>   |
| Subtotal Conceptual Engineering                                                                                                 | \$14,235,308     |
| <br><u>Preliminary Engineering</u>                                                                                              |                  |
| Labor                                                                                                                           | 5,646,336        |
| Overhead                                                                                                                        | <u>7,282,266</u> |
| Subtotal                                                                                                                        | \$12,928,602     |
| Profit on the subtotal of \$12,928,602<br>for Labor and Overhead<br>(11.08 % of Labor and Overhead Costs,<br>see Comment No. 3) | 1,432,450        |
| Other Expenses including Geotechnical<br>Equipment, Printing and Travel                                                         | 453,640          |
| Allowance for Additional Studies<br>(see Comment No. 4)                                                                         | <u>750,000</u>   |
| Subtotal Preliminary Engineering                                                                                                | \$15,564,692     |
| <br>Total Estimated Contract Costs                                                                                              | <br>\$29,800,000 |

**Comments:**

1. According to Mr. John Thomas of Muni, a Request for Proposals (RFP) for the subject contract was advertised in the newspapers listed in Attachment II on November 6, 2001. Muni has provided the Budget Analyst's Office

BOARD OF SUPERVISORS

BUDGET ANALYST

with the "Selection Committee Report" on the selection process on the award of this contract. The Selection Committee Report states that Muni received written proposals from the following three firms: (a) Bechtel Infrastructure Corporation; (b) Central Transit Consultants, a Joint Venture of URS, Parsons<sup>3</sup> and AGS, Inc.; and (c) PB/Wong, the selected contractor. The three written proposals were evaluated and scored by a five-member Selection Committee consisting of: (a) Dennis Tsai, Muni Construction Division (non-voting); (b) Paul Ward, San Francisco County Transportation Authority; (c) Patty DeVlieg, Muni Construction Division; (d) John Thomas, Muni Construction Division; and (e) Phil Chin, Department of Public Works. As shown in Attachment III, provided by Mr. Thomas, the following scores were received as a result of the written proposals:

| Firm                               | Score |
|------------------------------------|-------|
| Central Transit Consultants        | 85.67 |
| Bechtel Infrastructure Corporation | 76.17 |
| PB/Wong                            | 76.00 |

All three firms were found to be qualified based on the written proposals and were invited to participate in an oral presentation and interview. Based on the oral presentation and interview process, the Selection Committee selected PB/Wong. The following scores were received as a result of the oral presentation and interview process:

| Firm                               | Score |
|------------------------------------|-------|
| PB/Wong                            | 87.50 |
| Bechtel Infrastructure Corporation | 81.83 |
| Central Transit Consultants        | 81.17 |

As noted above and as shown in Attachment III, PB/Wong was ranked the lowest for the written proposal and was ranked highest for the oral presentation and interview process. As noted above and as shown in the first two pages of Attachment III, Central Transit Consultants was ranked the highest for the written proposal and was ranked the lowest for the oral presentation and interview

---

<sup>3</sup> Parsons Brinckerhoff Quade & Douglas, Inc., of the PB/Wong joint venture and Parsons, of the Central Transit Consultants joint venture, are two separate and unrelated companies.

process. The final selection of PB/Wong from the three qualified firms was based entirely on the firm's highest score in the oral presentation and interview process and was not based on the scores from the written proposals. Attachment IV is a memorandum provided by Mr. Thomas which contains the evaluation criteria for the selection of this contract award and explains why the scores of each firm on the written proposals was not a criteria in the final selection for the contractor. According to Mr. Thomas "The written proposals enable the Selection Committee to identify those firms which are within a competitive range of one another, and to eliminate those firms which do not meet the minimum criteria established in the RFP. The Oral Presentation enables the Selection Committee an opportunity to observe those professionals who will work on the project and to ask questions of them in order to evaluate them against the selection criteria." As noted in Attachment IV price was not considered either in the evaluation of the written proposals or in the oral presentation and interview process.

Following the selection process described above, Muni received complaints that the selection process had been unduly influenced. In response to inquiries of the Budget Analyst, Mr. Robert Bryan of the City Attorney's Office states that, at the request of the MTA, the City Attorney's Office conducted a confidential investigation of that selection process and reported to the MTA on the matter. Mr. Bryan states that disclosure of any information pertaining to the City Attorney's investigation of the selection process, including the events that prompted the investigation, requires the approval of the MTA. In response to inquiries from the Budget Analyst about the City Attorney's report concerning the nature of the complaints with respect to the selection process, Mr. Michael Burns, Executive Director of the MTA stated "Our desire is to maintain the confidentiality of the investigation" and further states that "For the Board to consider a request to release the Report, I would need to discuss this with them at a scheduled meeting."

Subsequently, Muni assembled a second Selection Committee, which reevaluated the same three written proposals previously submitted and conducted a second

**BOARD OF SUPERVISORS**

**BUDGET ANALYST**

round of oral presentations and interviews for the same three firms. According to Mr. Thomas, the second Selection Committee was composed of five new Committee members including: (a) John Funghi, Muni Construction Division (non-voting); (b) Ewa Bauer, Golden Gate Bridge, Highway and Transportation District; (c) Manuel Abad, Bay Area Rapid Transit District (BART); (d) Burl Toler, San Francisco International Airport, Bureau of Design & Construction; and (e) Andre Boursse, Muni Contract Compliance Office (Non-Voting). The following scores were received from the second Selection Committee as a result of the written proposals:

| Firm                               | Score |
|------------------------------------|-------|
| Central Transit Consultants        | 91.33 |
| Bechtel Infrastructure Corporation | 85    |
| PB/Wong                            | 84.33 |

The following scores were received from the second Selection Committee as a result of the oral presentation and interview process:

| Firm                               | Score |
|------------------------------------|-------|
| PB/Wong                            | 96.33 |
| Central Transit Consultants        | 94.67 |
| Bechtel Infrastructure Corporation | 87.00 |

As noted above and as shown in the third and fourth pages of Attachment III, Central Transit Consultants was again ranked highest for the written proposal and was ranked second for the oral presentation and interview process. As noted above and as shown in Attachment III, PB/Wong was again ranked the lowest for the written proposal and was again ranked highest for the oral presentation and interview process. PB/Wong was again selected for the subject contract award by the second Selection Committee. As stated above, the final selection of PB/Wong was based on the firm's score in the oral presentation and interview process and the scores of each firm on the written proposals was not a criteria in the final selection for the contract.

2. The Budget Analyst notes that PB/Wong's profit for conceptual engineering is budgeted at \$1,030,270, or 9.31 percent of the Labor and Overhead Costs for conceptual engineering and PB/Wong's profit for preliminary engineering is budgeted at \$1,432,450, or 11.08 percent of the Labor and Overhead Costs for preliminary engineering. Mr. Thomas reports that profit on Federally funded contracts is based on a negotiated fixed fee. Mr. Thomas advises that Muni negotiated a lower fixed amount for profit for the conceptual engineering phase because, according to Mr. Thomas, PB/Wong is exposed to less risk in the conceptual engineering phase than in the preliminary engineering phase.

3. As previously noted, no consideration was given to price of this \$29,800,000 contract in the selection process. Ms. Robin Reitzes of the City Attorney's Office states that because the contract will be at least partially funded by the FTA, the Federal Brooks Act prohibited Muni from considering price in the selection of the contractor. The Brooks Act states that for the procurement of Architecture and Engineering Services:

- (1) An offeror's qualifications be evaluated;
- (2) Price be excluded as an evaluation factor;
- (3) Negotiations be conducted with only the most qualified offeror; and
- (4) Failing agreement on price, negotiations with the next most qualified offeror be conducted until a contract award can be made to the most qualified offeror whose price is fair and reasonable to the grantee.

4. Mr. Thomas reports that in order to comply with the Brooks Act, Muni requested the three responding firms to submit their price in a sealed bid to be included with the firms proposals. Mr. Thomas states that the bid prices remained sealed throughout the selection process and were not considered in the selection process. Mr. Thomas reports that Muni unsealed only PB/Wong's bid price after the Selection Committee selected PB/Wong for the subject contract. Mr. Thomas states that the bid prices of the other two firms: Bechtel Infrastructure Corporation and Central Transit Consultants, were never unsealed and Muni therefore does not know what their bid prices were.

5. PB/Wong bid \$28,868,985. The Budget Analyst notes that the final negotiated contract price of \$29,800,000 is \$931,015 more than PB/Wong's bid of \$28,868,985.

6. As shown in the summary budget above, Muni has budgeted a total of \$1.5 million for allowances for additional studies if needed under the subject professional engineering contract with PB/Wong including \$750,000 for conceptual engineering and \$750,000 for preliminary engineering. Attachment V is a memorandum explaining why the subject contract includes allowances for additional studies. As stated in Attachment V by Mr. Thomas "The allowance for additional studies was developed to cover those items which *may* require additional work depending on project progress. During contract negotiations staff identified studies which may be necessary depending on the results of public meetings, input from Citizens Advisory Committees as well potential operational requirements which may become apparent as additional engineering work is complete. These tasks could be moved into the appropriate predecessor tasks and included in the baseline budget."

**Recommendation:** The Budget Analyst considers the subject resolution to be a policy matter for the Board of Supervisors because:

(a) two Selection Committees ranked Central Transit Consultants first and PB/Wong last in the written proposals, but the final selection of PB/Wong was based entirely on the oral presentation and interview process,

(b) Muni was prohibited by Federal law to consider price in the award of this contract,

(c) Muni does not know the price of the two competing bidders since their bids were never opened from the sealed envelopes. The procedure was only to examine the bid price of the consultant that was ranked highest in the oral presentation and interview process,

(d) Although the Muni anticipates funding for the remaining \$25,500,000 or 85.6 percent of the proposed \$29,800,000 contract, the specific amounts of the funding sources have not yet been finally determined,

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

(e) The final negotiated price of \$29,800,000 was \$931,015 more than the bid price of PB/Wong, and

(f) The proposed contract price of \$29,800,000 includes \$1,500,000 for unidentified studies which, according to Muni, "may" be undertaken.

(g) In response to inquiries from the Budget Analyst concerning the nature of complaints with respect to the selection process and City Attorney's investigation report, regarding the amount of this proposed \$29,800,000 contract, Mr. Burns reported "Our desire is to maintain the confidentiality of the investigation." and he further stated that "For the Board to consider a request to release the Report, I would need to discuss this with them at a scheduled meeting."

**San Francisco Municipal Railway  
Third Street Light Rail Project  
Financial Plan**

| <b>Cost</b>                 | <b>Initial Operating<br/>Segment</b> | <b>New Central<br/>Subway</b> | <b>Total</b>      |
|-----------------------------|--------------------------------------|-------------------------------|-------------------|
| Preliminary Engineering     | \$ 13.8                              | \$ 40.0                       | \$ 53.8           |
| Final Design & Managemement | 116.9                                | 64.3                          | 181.2             |
| Construction Contracts      | 337.4                                | 455.2                         | 792.6             |
| Contingency                 | 35.6                                 | 147.3                         | 182.9             |
| Project Reserve             | -                                    | 57.1                          | 57.1              |
| 25 Light Rail Vehicles      | 80.2                                 | -                             | 80.2              |
| <b>Total</b>                | <b>\$ 583.9</b>                      | <b>\$ 763.9</b>               | <b>\$ 1,347.8</b> |

| <b>Funding</b> |                 |                 |                   |
|----------------|-----------------|-----------------|-------------------|
| Federal        | \$ 117.5        | \$ 531.7        | \$ 649.2          |
| State          | 126.0           | 106.2           | 232.2             |
| Local          | 340.4           | 126.0           | 466.4             |
| <b>Total</b>   | <b>\$ 583.9</b> | <b>\$ 763.9</b> | <b>\$ 1,347.8</b> |

Source: Muni

LIST OF PUBLICATIONS TO BE USED FOR CONTRACT NO. CS-138  
THIRD STREET LIGHT RAIL PROJECT-  
NEW CENTRAL SUBWAY SEGMENT

1. Los Angeles Times
2. San Francisco Chronicle
3. San Francisco Independent
4. San Jose Mercury
5. Oakland Tribune

Source: Muni

**LIST OF PUBLICATIONS TO BE USED FOR PRINTING PUBLIC NOTICE**

1. **The Post Group** – 20<sup>th</sup> Street, Oakland, CA. 94612  
Attn: Ona Solon, Phone No. (510) 287-8200, Fax No. (510) 763-9670
2. **Chinese Times** – 686 Sacramento Street, San Francisco, California 94111  
Attn: Advertising Department, Phone No. (415) 982-0135;  
Fax No. (415) 982-3387; Info: Publish Monday – Saturday
3. **Philippine News** – 235 Grand Avenue, 2<sup>nd</sup> Floor, South San Francisco,  
California 94080, Attn: Advertising Department, Phone No. (650) 872-3000,  
Fax No. (650) 872-0217; Info: Publish weekly.
4. **Korea Central Daily News** - 2811 Adeline St. Oakland, California  
94608, Attn: Rojar Yoon, Phone No. (510) 272-4600; Fax No. (510) 272-4616;  
Info: Publish Daily.
5. **Hokubui Mainichi** – 1746 Post Street, San Francisco, California 94115  
Attn: Chikako Moriya, Phone No. (415) 567-7323; Fax No. (415) 567-1110  
Info: Publish Tuesday – Saturday.
6. **La Oferta Review** – 1376 North 4<sup>th</sup> Street, San Jose, California 95112, Attn;  
Franklin G. Andrade, Phone No. (408) 436-7850; Fax No. (408) 436-7861;  
Info: Publish semi-weekly
7. **Small Business Exchange, Inc.** – 703 Market Street, Suite 1000 San Francisco,  
California 94103, Attn: Sharon Bickham, Phone No. (415) 778-6250;  
Fax No. (415) 778-6255; Info: Publish weekly
8. **The China Press** - 839 Cowan Road, Burlingame, CA. 94010,  
Phone (650) 652-0588; Fax No. (650) 652-0586. Contact Person: Yi Ning Xie

Source: Muni

Page 1 of 2

Rev. 07/19/01

- San Francisco Reporter* - 2988 Mission Street Suite#1, San Francisco, CA 94110,  
Phone (415) 648-3711; Fax (415) 648-3721; Contact Person: Marvin Ramirez
10. *The Bay View, Inc.* - 4908 3<sup>rd</sup> Street San Francisco, CA 94124;  
Phone (415) 671-0449; Fax (415) 822-8971. Contact Person: Mary Ratcliff.
11. *San Francisco Bay Times* - 3410 19<sup>th</sup> Street San Francisco, CA 94110;  
Phone (415) 626-0260; Fax (415) 626-0987. Contact Person: Bryan Kuhle.
12. *El Latino Newspaper* - 66 Delano Street, San Francisco, CA 94112,  
Phone (415) 552-3031; Fax (415) 552-2502. Contact Person: Carmen Ruiz
13. *Sun - Reporter* - 1791 Bancroft Avenue, San Francisco  
CA, 94124, Phone (415) 671-1000 ; Fax (415) 671-1005  
Contact Person ; Carlton B. Goodlett

Source: Muni

Page 2 of 2

Revised 07-19-01

**ALL EVALUATORS NAMES CONFIDENTIAL (NS COPY ONLY)**

(01-836) RFP CS-138: PROFESSIONAL SERVICES FOR MUNI METRO  
THIRD STREET LIGHT RAIL PROJECT – NEW CENTRAL SUBWAY

**MAXIMUM AVERAGE POINTS: 100**

**SHORT LIST: FEBRUARY 27, 2002**

| FIRM NAME            | A  | B  | C  | D  | E  | F  | TOTAL<br>RAW<br>SCORES | AVERAGE | RANKING |
|----------------------|----|----|----|----|----|----|------------------------|---------|---------|
| CTC –<br>URS/PTG/AGS | 94 | 86 | 84 | 82 | 95 | 73 | 514                    | 85.67   | 1       |
| BECHTEL              | 77 | 75 | 78 | 67 | 84 | 76 | 457                    | 76.17   | 2       |
| PB/PGH WONG          | 76 | 74 | 79 | 75 | 80 | 72 | 456                    | 76.00   | 3       |

COMPLIANCE WITH DBE/NON-DISCRIMINATION REQUIREMENTS BEING EVALUATED

**ALL EVALUATORS NAMES CONFIDENTIAL**

Source: Muni

ALL EVALUATORS NAMES CONFIDENTIAL

(01-836) RFP CS-138: PROFESSIONAL SERVICES FOR MUNI METRO  
THIRD STREET LIGHT RAIL PROJECT – NEW CENTRAL SUBWAY

MAXIMUM AVERAGE POINTS: 100

INTERVIEW PANEL: March 20, 2002

| FIRM NAME                                | A  | B  | C  | D  | E  | F  | TOTAL<br>RAW<br>SCORES | AVERAGE | RANKING |
|------------------------------------------|----|----|----|----|----|----|------------------------|---------|---------|
| PB/WONG                                  | 97 | 83 | 86 | 83 | 90 | 86 | 525                    | 87.50   | 1       |
| BECHTEL                                  | 88 | 79 | 84 | 75 | 82 | 83 | 491                    | 81.83   | 2       |
| CTC, A JV with –<br>URS, PARSONS,<br>AGS | 83 | 87 | 75 | 74 | 87 | 81 | 487                    | 81.17   | 3       |

ALL EVALUATORS NAMES CONFIDENTIAL

Source: Muni

## ALL EVALUATORS NAMES CONFIDENTIAL

(01-836) RFP CS-138: PROFESSIONAL SERVICES FOR MUNI METRO  
THIRD STREET LIGHT RAIL PROJECT - NEW CENTRAL SUBWAY

MAXIMUM AVERAGE POINTS: 100

SHORT LIST: OCTOBER 9, 2002

| FIRM NAME                          | A  | B  | C  | TOTAL RAW<br>SCORES | AVERAGE | RANKING |
|------------------------------------|----|----|----|---------------------|---------|---------|
| CTC, A JV with - URS, PARSONS, AGS | 91 | 98 | 85 | 274                 | 91.33   | 1       |
| BECHTEL                            | 82 | 92 | 81 | 255                 | 85      | 2       |
| PB/WONG                            | 80 | 89 | 84 | 253                 | 84.33   | 3       |

ALL FIRMS HAVE COMMITTED TO MEET THE DBE/NON-DISCRIMINATION REQUIREMENTS

Attachment III  
Page 3 of 4

ALL EVALUATORS NAMES CONFIDENTIAL

Source: Muni

## ALL EVALUATORS NAMES CONFIDENTIAL

(01-836) RFP CS-138: PROFESSIONAL SERVICES FOR MUNI METRO  
THIRD STREET LIGHT RAIL PROJECT - NEW CENTRAL SUBWAY

AXIMUM AVERAGE POINTS: 100

INTERVIEW PANEL: October 30, 2002

| FIRM NAME                             | A  | B  | C  | TOTAL RAW<br>SCORES | AVERAGE | RANKING |
|---------------------------------------|----|----|----|---------------------|---------|---------|
| PB/WONG                               | 98 | 94 | 97 | 289                 | 96.33   | 1       |
| CTC, A JV with - URS,<br>PARSONS, AGS | 94 | 91 | 99 | 284                 | 94.67   | 2       |
| BECHTEL                               | 86 | 83 | 92 | 261                 | 87.00   | 3       |

ALL EVALUATORS NAMES CONFIDENTIAL



## MEMORANDUM

January 14, 2003

To: Sarah Graham,  
Board of Supervisor – Budget Analyst Office

From: John F. Thomas  
Project Manager

Subject: Professional Engineering for Third Street Light Rail, Central Subway CS-138  
Consultant Procurement Information

The Request for Proposals for Professional Engineering for Third Street Light Rail, Central Subway, Contract CS-138 utilized the following criteria for selection:

### XI. EVALUATION CRITERIA

#### Short-Listing Evaluation Criteria

Each proposal will be evaluated and short-listed on the basis of the following criteria, on a 100-point rating system:

- A. **Relevant Experience (30 points maximum):** Capability, specific relevant experience and qualifications of each consultant firm, subconsultant firm, and the proposed personnel.
- B. **Proposed Scope and Technical Approach (30 points maximum):** Proposer's understanding of the Scope of Work and the services required for each proposed task; effectiveness of the proposer's work plan, program and method or approach of execution; proposer's understanding of special issues, problems and constraints, and approach towards mitigating and resolving them.
- C. **Organization and Management (20 points maximum):** Effectiveness of the consulting team's organizational structure in executing and managing this Project; management approach in providing quality, timely and cost effective services for this Project; demonstrated competence and quality performance in managing large, complex, multi-discipline project without encumbering the client with excessive cost overruns and/or successive time extensions, apart from client scope changes or causes totally beyond the Consultant's control.
- D. **Service and Staffing Ability (15 points maximum):** Ability of the proposer to provide timely, qualified and adequate staffing and services to support the Project throughout the term of the Contract.

- E. **Responsiveness to RFP (5 points maximum):** Organization of proposal; effectiveness of communication; overall attentiveness to all of the RFP requirements

In addition to the resulting point total, proposals will be subject to compliance with DBE/Non-discrimination Requirements, and all other applicable City contracting requirements.

**Oral Presentation Scoring Criteria:**

For final selection, the following Oral Presentation Scoring Criteria, also on a 100-point rating system, will be used to rank the highest consultant at the oral interviews:

- A. **Relevant Experience (30 points maximum):** Demonstrated capability, relevant experience and qualifications of each consultant firm, subconsultant firm, and the proposed personnel.
- B. **Proposed Scope and Technical Approach (30 points maximum):** Proposer's understanding of the Scope of Work and the services required for each proposed task; effectiveness of proposer's technical work plan, program and method of execution; proposer's understanding of special issues, problems and constraints, and approach towards mitigating and resolving them.
- C. **Organization and Management (20 points maximum):** Demonstrated effectiveness of the consulting team's organizational structure in executing and managing this Project, providing quality and cost effective services for this Project; clear definition of roles and responsibilities of each firm, discipline and key personnel; demonstrated competence and quality performance in managing large, complex, multi-discipline projects without encumbering the client with excessive cost overruns and/or successive time extensions, apart from client scope changes or causes totally beyond the Consultant's control.
- D. **Service and Staffing Ability (10 points maximum):** Ability of the proposer to provide timely, qualified and adequate staffing and services to support the Project throughout the term of the Contract.
- E. **Presentation Approach and Responsiveness to Questions (10 points maximum):** Organization of the presentation; effectiveness of communications; answers to questions.

In addition to the resulting point total, proposals will be subject to compliance with DBE/Non-discrimination Requirements, and all other applicable City contracting requirements.

The MUNI Construction Division follows a procedure (9.1, Consultant Selection) established in 1988 when issuing a Request for Proposals. The policy has been to utilize

the written proposals to provide the necessary information to shortlist the firms for oral presentations and interviews. Only the most qualified firms shall be eligible for further consideration.

The written proposals enable the Selection Committee to identify those firms which are within a competitive range of one another, and to eliminate those firms which do not meet the minimum criteria established in the RFP.

The Oral Presentation enables the Selection Committee an opportunity to observe those professionals who will work on the project and to ask questions of them in order to evaluate them against the selection criteria.

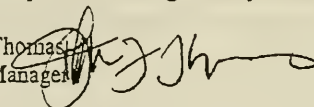


## MEMORANDUM

Attachment V  
Page 1 of 2

January 14, 2003

To: Sarah Graham,  
Board of Supervisor – Budget Analyst Office

From: John F. Thomas, Jr.  
Project Manager 

Subject: Professional Engineering for Third Street Light Rail, Central Subway CS-138  
Consultant Procurement Information

The Municipal Transportation Agency has adopted an aggressive schedule to design and build the New Central Subway by the year 2011. In order to achieve such a milestone, a concise, focused effort must be made to identify the risks, cost and schedule associated with such a project. The conceptual and preliminary engineering phases of such a project are key to achieving this objective.

The allowance for additional studies was developed to cover those items which *may* require additional work depending on project progress. During contract negotiations staff identified studies which may be necessary depending on the results of public meetings, input from Citizens Advisory Committees as well potential operational requirements which may become apparent as additional engineering work is completed. These tasks could be moved into the appropriate predecessor tasks and included in the baseline budget.

If these tasks are deleted, the most likely outcome will be to extend the schedule as each additional task would be brought forward to the Board of Supervisors.

The following text has been excerpted from Exhibit A, Scope of Services from the subject contract:

### 1.60 Allowance for Special Services and Additional Studies

Special Services and Additional Studies have been identified as potential work to be performed under this allowance pending Muni authorization. Muni will determine the exact scope of work depending on project requirements. The potential additional special services and studies include but are not limited to the following:

- ° Full structural analysis of certain critical buildings based on results of Task 1.02-05
- ° Additional substation location study (e.g. surface location ) beyond those described under Task 1.02-10
- ° Alternate Central Control Facility Study
- ° Alternative Communication System study
- ° Additional alternative studies for station and portal locations beyond those described under Task 1.04-01

- ° Additional alternative studies for Geary Subway Connection beyond those described under Task 1.04-06
- ° Conceptual level Safety Hazard Analyses
- ° Additional Board of Consultant Reviews
- ° Company 39 3-D simulation models of stations
- ° Baseline Air Quality Samplings and Report

## **2.60 Allowance for Special Services**

Special services during Phase 2 will be identified as potential work to be performed under this allowance pending Muni authorization. Muni will determine the exact scope of work depending on project requirements. The potential additional special services and studies include:

- ° Additional Value Engineering at 75% completion of Preliminary Engineering
- ° Additional Safety Hazard Analysis beyond those described in Task 2.05
- ° Additional Board of Consultant Reviews
- ° Revised Renderings, Simulations, and Presentation Models
- ° Additional ADA analyses
- ° Additional Operating Scenarios Analyses
- ° Additional Environmental Hazardous Investigation Studies

cc: M544

Item 8 – File 02-2050

**Departments:** Municipal Railway (MUNI)

**Item:** Resolution approving the sale of Muni Car No. 96 to the City of Issaquah, Washington pursuant to San Francisco Administrative Code Section 10.84.

**Description:** The proposed resolution would approve the sale by MUNI of Car No. 96, a vintage interurban railcar, to the City of Issaquah, Washington for \$15,000. Car No. 96 was given to the City and County of San Francisco, at no cost, by the City of Milan, Italy in 1986

According to Mr. Anthony Tufo of MUNI, Car No. 96 was designed and manufactured for use on suburban streets and was not put into service by MUNI because this interurban railcar was not suitable for use on MUNI's urban rail system.

The City of Issaquah, Washington would purchase Car No. 96 so that the Issaquah Historical Society may use the interurban railcar as part of its "Issaquah Valley Trolley" project, a recently restored rail line for historic vehicles.

**Comments:** 1. Mr. Tufo advises that Car No. 96 is currently in storage in a warehouse at Pier 80, along with other vintage railcars. Mr. Tufo reports that there were no restoration or maintenance expenditures for Car No. 96 since it has not been put into operation by MUNI.

2. Mr. Tufo advises that MUNI consulted with Mr. Rick Laubscher, Board President of the Market Street Railway Company, a non-profit preservation and historical society that routinely works with MUNI, who advised MUNI that the purchase price for Car No. 96 of \$15,000 represents the fair market value for the subject interurban railcar.

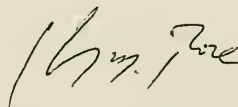
3. Ms. Robin Reitzes of the City Attorney's Office advises that under the terms of the agreement negotiated with the City of Issaquah, MUNI would deliver possession of the Car No. 96 on an "as-is" basis from its current location at Pier 80 to a shipper hired by the City of Issaquah, at no

Memo to Finance Committee  
January 22, 2003 Finance Committee Meeting

cost to the City and County of San Francisco. Ms. Reitzes further advises that the City and County of San Francisco would incur no other obligations or liabilities once Car No. 96 is delivered to the shipper hired by the City of Issaquah.

4. According to Mr. Tufo, MUNI would use funds from the sale of Car No. 96 to defray the costs associated with the purchase and maintenance of other historic railcars, which are placed into service by MUNI on the F-Line.

**Recommendation:** Approve the proposed resolution.



Harvey M. Rose

cc: Supervisor Peskin  
Supervisor Daly  
Supervisor Maxwell  
Clerk of the Board  
Controller  
Ben Rosenfield  
Ted Lakey





# City and County of San Francisco

## Meeting Agenda

### Finance Committee

City Hall  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4689

Members: Supervisors Aaron Peskin, Chris Daly and Sophie Maxwell

Clerk: Gail Johnson

Wednesday, January 29, 2003

12:30 PM

City Hall, Room 263

### Regular Meeting

*Note: Each item on the Consent or Regular agenda may include the following documents:*

- 1) Legislation
- 2) Budget Analyst report
- 3) Legislative Analyst report
- 4) Department or Agency cover letter and/or report
- 5) Public correspondence

*These items will be available for review at City Hall, Room 244, Reception Desk.*

*Each member of the public will be allotted the same maximum number of minutes to speak as set by the Chair at the beginning of each item, excluding City representatives, except that public speakers using translation assistance will be allowed to testify for twice the amount of the public testimony time limit. If simultaneous translation services are used, speakers will be governed by the public testimony time limit applied to speakers not requesting translation assistance.*

## AGENDA CHANGES

DOCUMENTS DEPT.

## REGULAR AGENDA

JAN 24 2003

SAN FRANCISCO  
PUBLIC LIBRARY

1. 022029 [To appropriate funding to accelerate a business tax collection program]  
Supervisor McGoldrick

Ordinance appropriating \$119,652 of Business Tax Revenues to the Treasurer/Tax Collector for the purpose of accelerating a business tax and penalties collection program, for fiscal year 2002-03.

(Fiscal impact.)

12/16/02, RECEIVED AND ASSIGNED to Finance Committee.

1/15/03, CONTINUED. Speakers: None.

Continued to 1/22/03.

1/22/03, AMENDED, AN AMENDMENT OF THE WHOLE BEARING NEW TITLE. Heard in Committee. Speakers:

Supervisor McGoldrick; Susan Leal, Treasurer; Monique Zmuda, Controller's Office; Theodore Lakey, Deputy City Attorney. Amendment of the Whole prepared in Committee.

Continued to 1/29/03.

1/22/03, CONTINUED.

2.           021995   **[Revising administration of Police Emergency Alarm Ordinance]**  
Mayor  
Ordinance amending the San Francisco Police Code by amending Sections 3702, 3707 through 3710, and 3711 through 3720, by adding Sections 3710.1 through 3710.9 and a new Section 3721, and by re-numbering current Section 3721 as Section 3722, to give the Director of Emergency Communications responsibility for administering the substantive provisions of the Police Emergency Alarm Ordinance and to provide for billing and collection of license and license renewal fees by alarm companies.  
(Mayor)  
  
12/9/02, ASSIGNED UNDER 30 DAY RULE to Finance Committee, expires on 1/8/2003.  
1/22/03, CONTINUED. Speakers: None.  
Continued to 1/29/03.
3.           030036   **[Board Off-site Meetings]**  
Supervisor Ammiano  
Motion ordering the City and School District Committee meeting of the Board of Supervisors be held at the Irving G. Breyer Board Meeting Room, Board of Education, 555 Franklin Street, First Floor, San Francisco, on February 26, 2003 at 3:00 P.M.; and directing the Clerk of the Board to prepare the proper notices and postings.  
  
1/21/03 in Board: Supervisor Ammiano submitted a substitute motion bearing new title.  
  
1/13/03, RECEIVED AND ASSIGNED to Rules and Audits Committee.  
1/17/03, TRANSFERRED to Finance Committee.  
1/21/03, SUBSTITUTED. Supervisor Ammiano submitted a substitute motion bearing new title.  
1/21/03, ASSIGNED to Finance Committee.
4.           021913   **[Expanding eligibility for the heart trouble and pneumonia presumption to certain members of the Police Department and Fire Department]**  
Supervisor McGoldrick  
Ordinance amending section 16.86 of the San Francisco Administrative Code to provide that certain prior service in another police or fire department shall be counted toward qualification for the heart trouble and pneumonia presumption.  
  
(Fiscal impact.)  
  
11/18/02, RECEIVED AND ASSIGNED to Finance Committee.  
1/21/03, SUBSTITUTED. Supervisor McGoldrick submitted a substitute ordinance bearing same title.  
1/21/03, ASSIGNED to Finance Committee.
5.           030047   **[Recreation and Park--First Amendment to the Beach Chalet Lease]**  
Mayor  
Resolution approving the construction of a deck at the rear of the Beach Chalet Building and authorizing an amendment to the lease for the Beach Chalet restaurant. (Mayor)  
  
1/13/03, RECEIVED AND ASSIGNED to Finance Committee.

6.        030045    **[Amending the Annual Salary Ordinance to expedite appointments by elected officials]  
Supervisor Daly**  
Ordinance amending the Annual Salary Ordinance to provide that elected officials enumerated in Article II and Section 6.100 of the San Francisco Charter may make appointments to permanent positions upon (1) verification by the Human Resources Director that the positions have been legally established and that the appointment is consistent with the Charter and applicable Civil Service Rules and (2) certification by the Controller that sufficient funds are available; and specifying that such appointments do not require approval by the Mayor.  
  
(1/23/03 in Board: Supervisor Daly submitted a substitute ordinance approved as to form, bearing same title.)  
  
1/13/03, RECEIVED AND ASSIGNED to Finance Committee.  
1/21/03, SUBSTITUTED. Supervisor Daly submitted a substitute ordinance approved as to form, bearing same title.  
1/21/03, ASSIGNED to Finance Committee.
7.        030048    **[Issuance and Sale of Single Family Mortgage Revenue Bonds]  
Mayor**  
Resolution approving, for purposes of Section 147(f) of the Internal Revenue Code of 1986, the issuance and sale of single family mortgage revenue bonds by the City and County of San Francisco in an aggregate principal amount not to exceed \$36,000,000. (Mayor)  
  
1/13/03, RECEIVED AND ASSIGNED to Finance Committee.
8.        030003    **[Sale of 1345 Turk/1140 Fillmore to Redevelopment Agency]**  
Resolution approving the sale of real property located at 1345 Turk and 1140 Fillmore Streets to the San Francisco Redevelopment Agency for \$900,000; approving the interdepartmental transfer of jurisdiction over 1345 Turk from the Municipal Transportation Agency to the City's Arts Commission; authorizing the Director of Property to enter into an Agreement for the Sale of Real Property with the San Francisco Redevelopment Agency for the sale of such real property for the development of affordable housing, arts and community uses, and other public beneficial uses. (Real Estate Department)  
  
1/10/02 From City Attorney, substitute resolution bearing new title.  
(Public Benefit Recipient.)  
  
1/6/03, RECEIVED AND ASSIGNED to Finance Committee.  
1/10/03, SUBSTITUTED. City Attorney submitted a substitute resolution bearing new title.  
1/10/03, ASSIGNED to Finance Committee.
9.        030014    **[BART- MUNI Transfer Payment]**  
Resolution approving an agreement between the City and County of San Francisco and the Bay Area Rapid Transit District authorizing payment to San Francisco Municipal Railway for transfer trips provided in FY2002 and FY2003. (Municipal Transportation Agency)  
  
(No Public Benefit Recipient.)  
  
1/8/03, RECEIVED AND ASSIGNED to Finance Committee.

10. 021573 [Extends time for performance of PUC contract CS-524 by 3 months under last year's funding appropriation, and reserves the Board's right to disapprove the continuation of the contract]  
Resolution approving Public Utilities Commission's three month extension of time for the San Francisco Water Alliance to complete work under the second year of the Program Management Services, CS-524; and extending the time from September 21, 2002 to December 21, 2002 when the Board may approve the continuation of the contract upon its review of the Commission's annual evaluation of the contract performance of the San Francisco Water Alliance. (Public Utilities Commission)  
  
(No Public Benefit Recipient.)  
9/23/02, RECEIVED AND ASSIGNED to Finance Committee.
11. 030024 [PUC Contract for Program Management Services, CS-524]  
Resolution approving Public Utilities Commission's continuation of Agreement No. CS-524, Program Management Services, with the Water Infrastructure Partners (WIP) for a third year. (Public Utilities Commission)  
  
(No Public Benefit Recipient.)  
1/3/03, RECEIVED AND ASSIGNED to Finance Committee.

## LITIGATION

### Conference with City Attorney

*Convene in Closed Session)*

*Motion that the Finance Committee of the Board of Supervisors convene in closed session with the City Attorney, under the provisions of Government Code Section 54956.9 (a) and Administrative Code Section 67.8 (3), for the purpose of conferring with, or receiving advice from, the City Attorney regarding proposed settlements in the lawsuits or claims listed below.*

12. 030118 [Settlement of Lawsuit]  
Supervisor Gonzalez  
Ordinance authorizing settlement of the lawsuit filed by the City and County of San Francisco against Modesto Irrigation District for Declaratory and Injunctive Relief to Validate Termination of Long-Term Power Sales Agreement; the City and County of San Francisco filed the lawsuit on August 16, 2001 in San Francisco Superior Court (San Francisco Superior Court Case No. 323848).  
  
1/21/03, RECEIVED AND ASSIGNED to Finance Committee.

*After a closed session, if one occurs, the Committee shall adopt a motion either to disclose or not to disclose.*

*[Elect To Disclose]*

*Motion that the Committee finds it is in the public interest to disclose information discussed in closed session, and directs the Chair immediately to disclose that information.*

*[Elect Not to Disclose]*

*Motion that the Committee finds that it is in the best interest of the public that the Committee elect at this time not to disclose its closed session deliberations concerning the anticipated litigation listed above.*

## **ADJOURNMENT**

## **IMPORTANT INFORMATION**

*NOTE: Persons unable to attend the meeting may submit to the City, by the time the proceeding begins, written comments regarding the agenda items above. These comments will be made a part of the official public record and shall be brought to the attention of the Board of Supervisors. Any written comments should be sent to Committee Clerk, Finance Committee, San Francisco Board of Supervisors, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, California 94102 by 5:00 p.m. on the day prior to the hearing. Comments which cannot be delivered to the committee clerk by that time may be taken directly to the hearing at the location above.*

## **LEGISLATION UNDER THE 30-DAY RULE**

### **(Not to be considered at this meeting)**

*Rule 5.40 provides that when an ordinance or resolution is introduced which would CREATE OR REVISE MAJOR CITY POLICY, the committee to which the legislation is assigned shall not consider the legislation until at least thirty days after the date of introduction. The provisions of this rule shall not apply to the routine operations of the departments of the City or when a legal time limit controls the hearing timing. In general, the rule shall not apply to hearings to consider subject matter when no legislation has been presented, nor shall the rule apply to resolutions which simply URGE action to be taken.*

### **There are no items now pending under the 30-day rule.**

## Meeting Procedures

The Board of Supervisors is the Legislative Body of the City and County of San Francisco. The Board has several standing Committees where ordinances and resolutions are the subject of hearings at which members of the public are urged to testify. The full Board does not hold a second public hearing on measures which have been heard in committee.

Board procedures do not permit: 1) persons in the audience at a Committee meeting to vocally express support or opposition to statements by Supervisors or by other persons testifying; 2) ringing and use of cell phones, pagers, and similar sound-producing electronic devices; 3) signs to be brought into the meeting or displayed in the room; 4) standing in the meeting room.

Citizens are encouraged to testify at Committee meetings and to write letters to the Clerk of a Committee or to its members, City Hall, 1 Dr. Carlton B. Goodlett Place, Room 244, San Francisco, CA 94102.

Agenda are available on the internet at [www.ci.sf.ca.us/bdsupvrs.bos.htm](http://www.ci.sf.ca.us/bdsupvrs.bos.htm).

THE AGENDA PACKET IS AVAILABLE FOR REVIEW AT CITY HALL, ROOM 244, RECEPTION DESK.

Board meetings are cablecast on SF Cable 26. For video tape copies and scheduling call (415) 557-4293.

Requests for language translation at a meeting must be received no later than noon the Friday before the meeting. Contact Ohn Myint at (415) 554-7704.

AVISO EN ESPAÑOL: La solicitud para un traductor en una reunion debe recibirse antes de mediodia de el viernes anterior a la reunion. Llame a Erasmo Vazquez (415) 554-4909.

翻譯 必須在會議前最少四十八小時提出要求  
請電 (415) 554-7701

## Disability Access

Both the Committee Room (Room 263) and the Legislative Chamber are wheelchair accessible. The closest accessible BART Station is Civic Center, three blocks from City Hall. Accessible MUNI lines serving this location are: #47 Van Ness, and the #71 Haight/Noriega and the F Line to Market and Van Ness and the Metro stations at Van Ness and Market and at Civic Center. For more information about MUNI accessible services, call 923-6142.

There is accessible parking in the vicinity of City Hall at Civic Center Plaza and adjacent to Davies Hall and the War Memorial Complex.

All meetings are real-time captioned and are cablecast open-captioned on SF Cable 26.

The following services are available when requested 48 hours before the Committee meeting. This advance notice will help ensure availability.

- For American Sign Language interpreters or use of a reader during a meeting, contact Ohn Myint at (415) 554-7704.
- For a large print copy of agenda or minutes in alternative formats, contact Annette Lonich at (415) 554-7706.
- Assistive listening devices are available from the receptionist in the Clerk of the Board's Office, Room 244, prior to the meeting.
- The Clerk of the Board's Office TTY number is (415) 554-5227.

In order to accommodate persons with severe allergies, environmental illness, multiple chemical sensitivity or related disabilities, attendees at public meetings are reminded that other attendees may be sensitive to various chemical based products.

### **Know Your Rights Under the Sunshine Ordinance**

Government's duty is to serve the public, reaching its decisions in full view of the public. Commissions, boards, councils and other agencies of the City and County exist to conduct the people's business. The Sunshine Ordinance assures that deliberations are conducted before the people and that City operations are open to the people's review. For information on your rights under the Sunshine Ordinance (Chapter 67 of the San Francisco Administrative Code) or to report a violation of the ordinance, contact Donna Hall; by mail to Sunshine Ordinance Task Force, 1 Dr. Carlton B. Goodlett Place, Room 409, by phone at (415) 554-7724, by fax at (415) 554-7854 or by email at [Donna.Hall@sfgov.org](mailto:Donna.Hall@sfgov.org)

Citizens may obtain a free copy of the Sunshine Ordinance by contacting Ms. Hall or by printing Chapter 67 of the San Francisco Administrative Code on the Internet, at <http://www.sfgov.org/sunshine.htm>

### **Lobbyist Registration and Reporting Requirements**

Individuals and entities that influence or attempt to influence local legislative or administrative action may be required by the San Francisco Lobbyist Ordinance [SF Campaign & Governmental Conduct Code Sec. 2.100] to register and report lobbying activity. For more information about the Lobbyist Ordinance, please contact the San Francisco Ethics Commission at 30 Van Ness Avenue, Suite 3900, San Francisco, CA 94102; telephone (415) 581-2300; fax (415) 581-2317; web site [www.sfgov.org/ethics](http://www.sfgov.org/ethics)

FINANCE COMMITTEE  
S.F. BOARD OF SUPERVISORS  
CITY HALL, ROOM 244  
1 DR. CARLTON GOODLETT PLACE  
SAN FRANCISCO, CA 94102-4689

IMPORTANT HEARING NOTICE!!!

[Budget Analyst Report]

**Susan Hom**

Main Library-Govt. Doc. Section

CITY AND COUNTY



OF SAN FRANCISCO

## BOARD OF SUPERVISORS

### BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642

FAX (415) 252-0461

January 23, 2003

TO: Finance Committee

DOCUMENTS DEPT.

FROM: Budget Analyst

JAN 28 2003

SUBJECT: January 29, 2003 Finance Committee Meeting

SAN FRANCISCO  
PUBLIC LIBRARY

Item 2 - File 02-1995

Note: This item was continued at the January 22, 2003 Finance Committee Meeting.

Departments: Department of Telecommunications and Information Services (DTIS)  
Emergency Communications Department (ECD)  
San Francisco Police Department (SFPD)  
Treasurer/Tax Collector

Item: Ordinance amending the San Francisco Police Code by amending Sections 3710, and 3711 through 3720, by adding Sections 3710.1 through 3710.9 and adding a new Section 3721, and by re-numbering current Section 3721 as Section 3722, to give the Director of Emergency Communications responsibility for administering the substantive provisions of the Police Emergency Alarm Ordinance and to provide for billing and collection of license and license renewal fees by alarm companies.

Description: The proposed ordinance would amend the Police Emergency Alarm Ordinance for the annual licensing of emergency alarm systems for commercial and residential buildings to transfer responsibility for administering the Police Emergency Alarm Ordinance from the Treasurer/Tax Collector to the Director of the Emergency Communications Department (ECD) and to provide for

Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting

billing and collection of the annual license fee and the license renewal fee from alarm users by alarm companies. This proposed ordinance would also require alarm installation companies (a) to collect the alarm license fees from new customers prior to the installation of a new alarm system and (b) to remit the collected fees to the Treasurer/Tax Collector.

In June of 2002 (File 02-1078), the Board of Supervisors approved a new Police Emergency Alarm Ordinance, which established the following new permits and fees: (i) a \$60 permit for commercial building emergency alarm systems; (ii) a \$40 permit for residential building emergency alarm systems and imposed penalties for false alarms; and (iii) penalty fees to an individual alarm user of \$100 for the second false alarm during the calendar year, \$150 for the third false alarm during the calendar year, \$200 for the fourth false alarm during the calendar year, and \$250 per false alarm for any additional false alarms during the calendar year. Under the proposed ordinance, the aforementioned fee levels would remain the same. However, the proposed ordinance would amend the Police Emergency Alarm Ordinance to require a license rather than a permit be obtained by commercial and residential alarm users and adds a \$100 penalty for operating a non-licensed alarm system. Mr. William Lee of the ECD advises that the proposed ordinance would require a license rather than a permit because the Tax Collector's Licensing System recognizes a "permit" as an authorization instrument with a fee that is charged and paid only one time, whereas, a "license" is recognized as a renewable instrument payable on an annual basis.

Presently, the provisions of the existing Police Emergency Alarm Ordinance do not provide for alarm companies to collect permit and permit renewal fees and do not require alarm companies to collect the permit fee from new customers prior to the installation of a new alarm system. Mr. Lee advises that under the provisions of the existing ordinance the Treasurer/Tax Collector is required to attempt to contact each individual alarm user directly to collect the fees. Mr. Lee reports that the proposed changes would require alarm installation companies to collect the alarm license fees from new customers prior to the installation of a new alarm system and to remit the

BOARD OF SUPERVISORS

BUDGET ANALYST

Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting

collected fees to the Treasurer/Tax Collector. The proposed amendments would require every alarm monitoring company doing business in San Francisco to send the Treasurer/Tax Collector a complete list of its customers and alarm systems located in San Francisco on the effective date of the ordinance. The proposed amendments provide that alarm monitoring companies make a good faith effort to collect the alarm license and/or renewal fee from existing customers and that alarm monitoring companies refer an alarm user's account to the Treasurer/Tax Collector if the license renewal fee is more than 30 days late. However, the proposed amendments do not require the alarm monitoring companies to cancel service to a customer for failure to pay. The proposed ordinance would require alarm users to renew their alarm licenses annually prior to the expiration of the license on January 1 of each year. Under the existing ordinance, alarm users are required to submit the renewal fee to the Treasurer/Tax Collector. The proposed changes would require the alarm users to submit an updated license application and to pay the renewal fee to either the Treasurer/Tax Collector or directly to alarm monitoring companies, who would then remit such fees to the Treasurer/Tax Collector no later than the last day of the month following the month of collection.

The review of City fees conducted by the Mayor's Budget Office in the spring of 2002 recommended implementation of a new permit and fee for emergency alarm systems and a new penalty for repeat false alarms by the same alarm system. As previously noted, such fees were approved by the Board of Supervisors. Of the estimated 60,000 alarms necessitating a Police Department response annually, an estimated 96 percent, or 57,600, are false alarms. Because the City has a policy of 100 percent response to all alarms, the Police Department responds to each of the estimated 60,000 alarms at commercial and residential buildings each year, which costs the Police Department over \$3.5 million annually, according to the Controller's Office. The alarm license fee and false alarm penalty revenues, estimated by the Controller's Office to be \$1,950,835, were included in ECD's FY 2002-2003 budget to cover the cost of a new informational technology (IT) system for licensing and for the billing and the collection of the license and license renewal fees, new collections

**BOARD OF SUPERVISORS**

**BUDGET ANALYST**

Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting

personnel in the Treasurer/Tax Collector's Office and to more fully cover the cost of Police response to false alarms. However, as reported to the Board of Supervisors' Budget Committee in June of 2002, even if all of the projected revenues of \$1,950,835 for the Alarm Fee and False Alarm Penalty Fee were realized, such revenues would still only recover approximately 51.5 percent of the total estimated cost to the General Fund of \$3,790,592 to respond to false alarms and to administer the licenses. The balance of an estimated \$1,839,757 would remain a cost to the General Fund. The Budget Analyst notes that all of the costs associated with responding to false alarms are currently borne by the General Fund.

Comments:

1. Mr. Lee states that none of the existing alarm fees and penalties previously approved by the Board of Supervisors in June 2002 have been either billed or collected from alarm users and therefore no revenues have been collected in FY 2002-2003 because of the difficulties in locating and contacting the estimated 30,000 individual alarm users. Therefore, Mr. Lee advises, the proposed amendments to the Police Emergency Alarm Ordinance include a new provision that permits alarm monitoring companies (a) to collect the license and license renewal fees from alarm users and issue license applications to such users in order to facilitate locating and billing the individual alarm users and (b) to remit such fees to the Treasurer/Tax Collector. As stated above, the proposed ordinance also requires alarm companies to collect the license fee from new customers prior to the installation of a new alarm system and to remit all fees collected to the Treasurer/Tax Collector.

2. According to Ms. Marla Taylor of the Controller's Office, emergency alarm fee revenues for FY 2002-2003 are currently estimated at \$1,000,000, including no revenues estimated for the False Alarm Penalty Fee. This new estimate of \$1,000,000 is \$950,835 or 48.7 percent less than the prior estimate of \$1,950,835 included in ECD's FY 2002-2003 budget.

3. The FY 2002-2003 budget appropriated total expenditures of \$272,146 for the implementation of the Police Emergency Alarm Ordinance. These expenditures included (a) \$3,160 for supplies for training for Police

**BOARD OF SUPERVISORS**

**BUDGET ANALYST**

Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting

personnel; (b) \$95,252 for Treasurer/Tax Collector personnel and materials & supplies including 0.25 new FTE 4308 Senior Collections Officer and 1.5 (2 positions) new FTE 1630 Account Clerks, three new computers, three chairs and three desks for the new personnel; (c) \$75,000 for enhancements to the ECD informational technology (IT) system to be implemented by the Department of Telecommunications and Information Services (DTIS); (d) \$75,000 for DTIS to implement the billing and collection system for Treasurer/Tax Collector; and (e) \$23,734 for Police Overtime for training.

4. Mr. Bink Feldkamp of DTIS reports that DTIS is in the process of developing the IT system for licensing and for the billing by the Treasurer/Tax Collector and the collection of license and license renewal fees by the Treasurer/Tax Collector. Mr. Feldkamp further reports that as of December 31, 2002, approximately \$35,000 had been expended on the IT system. DTIS has expended the \$35,000 on: (a) initial analysis of the system requirements and the ordinance itself, (b) attending and participating in the various meetings, (c) reviewing options for an IT solution, (d) developing a requirements scope document, and (e) beginning the development of the final system. According to Mr. Lee, none of the remaining \$237,146 (\$272,146 less \$35,000) included in the FY 2002-2003 budget for has been expended. Mr. Lee further reports that none of the 1.75 FTEs representing three new positions, as listed above, who will be responsible for the billing and collection of the license and license renewal fees in the Treasurer/Tax Collector's Office, have been filled.

5. Mr. Lee reports that the proposed amendments to the Police Emergency Alarm Ordinance provide for the transfer of responsibility for administering the regulatory functions of the Police Emergency Alarm Ordinance from the Treasurer/Tax Collector to the ECD because the Treasurer/Tax Collector has responsibility for billing and collection functions. Under the proposed amendments, Mr. Lee advises that ECD would be the direct contact for alarm users and alarm companies for hearings and appeals for penalties and/or revocation of an alarm license. Presently, the Treasurer/Tax Collector has responsibility for those regulatory responsibilities. Ms.

BOARD OF SUPERVISORS

BUDGET ANALYST

Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting

Shana Margolis of the Treasurer/Tax Collector's Office advises that the new 4308 Senior Collections Officer (0.25 FTE in FY 2002-2003) and two new 1630 Account Clerks (1.5 FTE in FY 2002-2003) were authorized specifically to be responsible for the billing and collection of the fees, fee renewals and penalties in accordance with the Police Emergency Alarm Ordinance. Ms. Margolis reports that the bulk of the billings and collections work will pertain to penalties charged for false alarms and not to the annual licensing for the alarm systems.

6. Ms. Margolis now states the three authorized positions included in the Treasurer/Tax Collector's FY 2002-2003 will not be sufficient to handle the work related to the projected 57,600 false alarms since, according to Ms. Margolis, the estimated number of false alarms previously provided to the Treasurer/Tax Collector was 26,000 when personnel were requested during the FY 2002-2003 budget. The Budget Analyst notes that the three positions were designated as L, or limited tenure, positions in the FY 2002-2003 budget. The Budget Analyst recommended the three positions be limited tenure positions because workload data was not available for the new positions. Therefore, the Budget Analyst recommended that the positions be evaluated after the Police Emergency Alarm Ordinance is implemented to determine the staffing requirements based on actual workload data. The Budget Analyst will review the three positions as well as any additional budget requests related to this ordinance as part of the annual budget review for FY 2003-2004.

**Recommendation:** Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 4 - File 02 - 1913

**Departments:** Employees' Retirement System (ERS)

**Item:** Ordinance amending 16.86 of the Administrative Code to provide that certain prior service of uniformed employees with the San Francisco Airport Police Department or with Police and Fire Departments located in California jurisdictions outside of San Francisco shall be counted toward qualification for the heart trouble and pneumonia presumption and the determination of related retirement benefits.

**Description:** Currently, the presumption that heart trouble or pneumonia has arisen out of service exists for uniformed employees of the San Francisco Police and Fire Departments only if employees have served a total of five or more years in either or both departments. This presumption is utilized in the determination of retirement benefits due to death or disability as a result of heart trouble or pneumonia.

The proposed ordinance expands the eligibility of uniformed employees of the San Francisco Police and Fire Departments for the presumption of heart trouble or pneumonia conditions to include certain prior service as it relates towards the application and determination of retirement benefits. The proposed amendment to the Administrative Code stipulates that (a) any time served as a San Francisco Airport Police Officer, or (b) any time served as a uniformed employee in other Police and Fire Departments in the State of California, shall be counted as eligible time with respect to receiving retirement benefits from the San Francisco Employees' Retirement System as a result of death or disability from heart trouble or pneumonia. However, the employee must have been entitled to the same presumption in his or her previous employment with another Police or Fire Department in the State of California and must have been hired by the San Francisco Police or Fire Departments within six months of separating from the employee's previous employment with another Police or Fire Department in the State of California. These new

Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting

presumptions will be retroactive to injuries or deaths occurring after January 1, 2000.

Comments:

1. According to Ms. Clare Murphy of the Employees' Retirement System, the heart trouble and pneumonia presumption for eligible uniformed employees of the San Francisco Police and Fire Departments is not guaranteed. The presumption can be rebutted and challenged by the City when there are circumstances that indicate the death or disability did not arise from service provided in the line of duty.

2. According to Ms. Murphy, the potential increased costs to the Employees' Retirement System of extending retirement benefits to uniformed employees who transfer from other Police and Fire Departments in the State of California cannot be estimated at this time for the reasons explained in the attached memorandum provided by Ms. Murphy (Attachment). As noted in Ms. Murphy's memorandum, Ms. Leslie Finertie of Towers Perrin, the firm which serves as the actuary for the Employees' Retirement System, concurs that the current costs associated with this proposed amendment to the Administrative Code cannot be estimated at this time. Further, Ms. Murphy states in Attachment I that "There will be no additional cost from this time forward regarding the San Francisco Airport police officers as they have all completed five years of credited service in the San Francisco Police department effective December 28, 2002."

3. Although approval of this ordinance can result in increased costs to the Employees' Retirement System, according to Ms. Murphy, utilizing prior service in the determination of retirement benefits will reduce costs related to heart trouble or pneumonia presumption cases. Death or disability retirement benefits paid to either the uniformed employee or any survivors are recalculated after 25 years of qualified service, which presumes the deceased or disabled uniformed employee continued to work. By including prior service obtained (a) with the San Francisco Airport Police Department or (b) with Police and Fire Departments located in California jurisdictions outside of San Francisco, the 25 year threshold and the recalculation of retirement benefits are

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting

reached earlier at lower salary rates and with less time served with the San Francisco Police or Fire Department, thereby reducing the total cost of these cases.

4. The Budget Analyst notes that the hiring of older employees is likely to increase the probability of uniformed employees of the Police and Fire Departments of developing heart trouble or pneumonia because of age and, therefore, qualifying for the heart trouble and pneumonia presumption as it pertains to the application of retirement benefits, if this proposed amendment to the Administrative Code is approved by the Board of Supervisors.

5. The Budget Analyst also notes that the revised eligibility requirements are retroactive to January 1, 2000 and that, according to Ms. Murphy, the Employees' Retirement System is aware of two employees, one in the Police Department and one in the Fire Department, who would potentially be entitled to enhanced retirement benefits if eligibility is expanded. According to Ms. Murphy's memorandum (Attachment), the costs experienced in comparable cases range from \$150,000 to \$500,000, calculated on a present value basis, depending upon the age of the retiree or survivor and the severity of the disability.

**Recommendation:** Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

City and County of San Francisco



San Francisco City and County  
Employees' Retirement System  
Office of The Executive Director

January 22, 2003

Members of the Finance Committee  
Board of Supervisors  
#1 Carlton B. Goodlett Place  
Room 244 City Hall  
San Francisco, CA 94102

Subject: File No. 02-1913

Dear Members of the Finance Committee,

This letter reviews the proposed amendment to Administrative Code Section 16.86. The proposed amendment does two things. First, it changes the length of service required for the heart and pneumonia presumption to apply provided the officer has a minimum of five years of service rendered in:

1. the SFFD and/or the SFPD, and
2. or SF Airport as an airport police officer, and
3. or in another police or fire department in the State of California with certain additional requirements

Current provisions require the five years of service to have been rendered in SFPD and/or SFFD. Secondly, the proposed amendment directs that public safety service rendered within six months of entering SFERS shall be added to SFERS service to determine at least twenty-five (25) years of service in the aggregate.

This change in requirement liberalizes the conditions under which a member or his or her survivors may apply for industrial disability retirement or death in the line of duty benefits, utilizing the presumptions. The proposed change recognizes the restructuring of San Francisco departments which resulted in the change of San Francisco Airport police officers to San Francisco Police officers in late 1997 as well as the recruitment needs of both the Police and Fire Departments. Recruitment needs have caused the Police and Fire departments to recruit lateral transfers from other California safety forces and safety officers who already benefit from retirement reciprocity provisions. This amendment will extend the rights to presumption provisions on the same basis as service retirement reciprocity with the added requirement that the force, from which the officer transferred, had the same presumption provisions.

The cost impact of this amendment cannot be determined due to a number of unknown variables, including:

1. Number of officers entering SFFD/SFPD with qualifying service
2. Number of officer transferees from other California plans with same presumptions
3. Length of San Francisco service rendered by officers at the time of death or disability

Members of the Finance Committee  
January 22, 2003  
Page 2

4. Cost of actual benefit payable.
5. Length of periodic payment is payable (life of member, survivor, etc).

The range of cost attributable to a heart or pneumonia presumption case can range from \$150,000 to \$500,000 calculated on a present value basis and depending upon the age of the retiree and the severity of the disability.

There will be no additional cost from this time forward regarding the San Francisco Airport police officers as they have all completed five years of credited service in the San Francisco Police department effective December 28, 2002.

Should the proposed amendment be adopted, the applications for death allowance to the survivors of two officers would be subject to the amended presumption provisions. In one case, the officer had served the City and County for over twenty years as both an Airport Police officer and San Francisco Police officer. In the second case, the officer had served only seven months after being recruited from a neighboring jurisdiction where he had served for over sixteen years as a firefighter - paramedic.

This letter serves as the cost and effect actuarial report as required by Charter section A8.500.

Ms. Leslie Finertie of Towers Perrin Consulting Actuaries has reviewed this report and concurs in its conclusions.

Please note that this proposed amendment requires a three-fourths vote of the entire Board of Supervisors for passage.

Very truly yours,

Clare M. Murphy  
Executive Director

c: Gloria Young, Clerk of the Board  
Harvey Rose, Budget Analyst  
Leslie Finertie, Towers Perrin  
Members of the Retirement Board  
Shauna Rose, Executive Assistant, SFERS

Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting  
Item 5 - File 03-0047

**Department:** Recreation and Park Department (RPD)

**Item:** Resolution approving the First Amendment of an existing lease between the City and Beach Chalet, L.P. and approving the construction of a deck at the rear of the Beach Chalet Building.

**Lessor:** City and County of San Francisco acting by and through the Recreation and Park Department (RPD)

**Lessee:** Beach Chalet L.P., a restaurant, bar and microbrewery

**No. of Square Feet:** Under the existing lease between the RPD and Beach Chalet L.P., Beach Chalet L.P. occupies 6,032 square feet of space on the second floor of the City-owned Beach Chalet building for the purpose of operating a restaurant and bar. The proposed First Amendment to the Beach Chalet lease would allow Beach Chalet L.P. to build a 3,100 square foot outdoor deck on the back side of the building to expand the restaurant area, bringing the total square footage leased to Beach Chalet L.P. to 9,132. Attachment I, provided by RPD, is a floor plan of the proposed new 3,100 square foot deck. Upon completion of the construction of the deck by Beach Chalet L.P., the deck would become City property.

**Estimated Cost of Proposed Deck:** \$934,957 to \$1,164,726

**Proposed Construction Under the Amended Lease:** Under this proposed First Amendment to the existing lease, the Beach Chalet L.P. would be authorized to construct a 3,100 square foot outdoor deck on the back side of the existing Beach Chalet building to expand the restaurant area. Mr. Chris Mack of RPD reports that the Beach Chalet L.P. will select and oversee a design and construction contractor to design and build the Beach Chalet's new deck. To date, the contractor has not yet been selected by Beach Chalet L.P. Mr. Mack reports that the RPD estimates a total construction and design budget of between \$934,957 and \$1,164,726 based on current cost estimates submitted to RPD by the Beach Chalet L.P. (see Attachment II).

**Proposed Rent  
Credits:**

To offset the construction costs to be incurred by Beach Chalet L.P. to design and construct the proposed 3,100 square foot deck, the RPD, under the proposed First Amendment, would grant Beach Chalet L.P. \$218,750 in rent credits to cover approximately 18.8 to 23.4 percent of the estimated construction costs. Mr. Mack reports that such proposed rent credits were determined through negotiations in 1999 between the General Manager of RPD and the Beach Chalet L.P.

**Annual Rent Payable by  
Beach Chalet L.P. to  
RPD Under the  
Existing Lease:**

Under the existing lease for 6,032 square feet, the Beach Chalet L.P. presently pays the City rent which is the greater of:

- i) \$5,160 per month, or \$61,920 per year, or
- ii) An amount equal to the total of the following percentages of the Beach Chalet's gross receipts<sup>1</sup>:
  - (a) 6 percent of gross sales of food and non-alcoholic beverages, plus (b) 7.5 percent of the gross sales of alcoholic beverages, plus (c) 6 percent of the gross sales of retail goods, plus (d) 3 percent of all other gross receipts, including candy and gumball machine revenues.

According to Mr. Mack, the Beach Chalet L.P. paid the RPD rent in the amount of \$305,510 in calendar year (CY) 1998, \$306,932 in CY 1999, \$334,441 in CY 2000, \$315,400 in CY 2001 and an estimated \$334,605 in CY 2002 based on the percentages of gross receipts noted above.

---

<sup>1</sup> Gross receipts include all amounts received and receivable from all sales and business transacted or services performed on the premises.

Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting

**Proposed Annual Rent  
Payable by Beach  
Chalet L.P. to RPD  
Under the First  
Amendment:**

Beginning on the first day that the deck is open to the public for business, anticipated to be September 1, 2003, rent payable by Beach Chalet L.P. to RPD would be the greater of:

- i) \$6,000 per month, or \$72,000 per year representing approximately a 16.2 percent increase from the existing rent of \$61,920 per year, or
- ii) An amount equal to the following percentages of the Beach Chalet's gross receipts: (a) 6 percent of gross sales of food and nonalcoholic beverages, which is the same percent as the existing lease, plus (b) 9 percent of gross sales of alcoholic beverages, representing an increase of 20 percent from the existing 7.5 percent, until the proposed rent credit of \$218,750 has been exhausted, which is anticipated to occur in CY 2007, at which point the RPD is to receive 10 percent of gross sales of alcoholic beverages, plus (c) 6 percent of gross sales of retail goods, which is the same percent as the existing lease plus (d) 4 percent of all other gross receipts representing an increase of 33.3 percent from the existing 3 percent.

The total rent credit of \$218,750 would be applied to the percentage rent in the amount of \$13,750 during CY 2003, \$55,000 each during CY 2004, CY 2005 and CY 2006 and \$40,000 for CY 2007, for total rent credits of \$218,750. According to Mr. Mack, the estimated rent to be paid by Beach Chalet L.P. to the RPD in CY 2003 under the proposed First Amendment is \$362,940 (see Attachment III). If only the base rent is paid, in lieu of the percentage rent, in any of these years, then the rent credits would still be granted by RPD to Beach Chalet L.P.

**Utilities and Janitorial  
Service:**

Provided by Lessee.

**Term of Lease:**

20-year lease that commenced June 19, 1995 and terminates June 18, 2015 (20 years). The proposed First Amendment does not extend the term of the existing lease.

**BOARD OF SUPERVISORS**

**BUDGET ANALYST**

**Description:**

The Beach Chalet is a two-story building located along the Great Highway in the western end of Golden Gate Park. The Beach Chalet was built in 1925, and in 1980 the Federal Department of Interior gave the building national landmark status. From 1980 until 1995, the building stood vacant.

According to Mr. Mack, the City entered into a lease on June 19, 1995 with the Beach Chalet L.P. for approximately 6,032 square feet of space on the second floor of the Beach Chalet building for the operation of a restaurant and bar. Mr. Mack advises that the Board of Supervisors approved this lease in May of 1995. The term of the lease is for 20 years, with two options to Beach Chalet L.P. to extend the initial term for two additional five-year terms, for a total of 10 additional years. The expiration of the existing 20-year lease is June 18, 2015.

**Comments:**

1. Attachment III, provided by RPD, shows the anticipated increases in gross receipts and projected rent to be paid by Beach Chalet L.P. to the City upon the opening of the new deck, anticipated to occur on September 1, 2003. Beginning in CY 2008, after the rent credit is exhausted, RPD projects annual rent of \$583,767 resulting in additional rent of \$166,456, or 39.9 percent more than the projected rent under the existing lease of \$417,312 anticipated in CY 2008 without the addition of a new deck.

2. Based on the RPD's projections, the increased capacity of the Beach Chalet from the construction of an outdoor deck will result in total estimated increased revenues of \$503,855 (see Attachment III) net of the allowance of rent credits of \$218,750 from CY 2003 to CY 2008. Mr. Mack notes that the proposed outdoor deck would be equipped with a retractable canopy so the deck could be used for service even during unfavorable weather, and would therefore maximize the use of the deck for generating revenues.

3. According to Mr. Mack, construction of the new deck is anticipated to begin on April 21, 2003 and to be completed on August 15, 2003. Mr. Mack reports that Beach Chalet

L.P. anticipates opening the deck to the public for business on September 1, 2003.

4. Since the RPD and not Beach Chalet L.P. is the owner of the Beach Chalet building, Beach Chalet L.P. was unable to secure property insurance for the building. Under the proposed First Amendment, Beach Chalet L.P. would be required to reimburse RPD 50 percent of the property insurance premiums previously paid by RPD from December 27, 1996 through May 23, 2002, for a total of \$11,185. Attachment IV, provided by the RPD, documents the amount of property insurance premiums previously paid by RPD. According to Mr. Mack, December 31, 1996 was the first day that Beach Chalet L.P. began paying rent to RPD. Under the proposed First Amendment, Beach Chalet L.P. would be required to reimburse the City for 50 percent of the property insurance premiums paid after such date. Once the deck is open for business, the Beach Chalet L.P. would pay 56 percent and the City would pay 44 percent of all future annual property insurance premiums and risk management fees, based on the square footage occupied by Beach Chalet L.P. on the second floor and RPD on the first floor of the Beach Chalet building.

5. Since December 31, 1996, in accordance with the existing lease, Beach Chalet L.P. has been required to pay for all water usage on the second floor of the Beach Chalet building and the City has been required to pay for all water usage on the first floor of the Beach Chalet building. However, to date, according to Mr. Mack, Beach Chalet L.P. has paid for all of the building's water use since December 31, 1996, which RPD estimates in Attachment V at a total of \$154,000. The proposed First Amendment requires that two water meters be installed by the City to determine RPD's water usage on the first floor as well as the water usage on the second floor. These two water meters would enable RPD and Beach Chalet L.P. to estimate RPD's past water usage so that RPD could reimburse the Beach Chalet L.P. for the RPD's share of past water usage. As stated in Attachment V by Mr. Mack, the estimated reimbursement to the Beach Chalet L.P. by the City for the RPD's share of past water usage from December 31, 1996 through May 23, 2002 cannot be estimated at this time. However, Mr. Mack

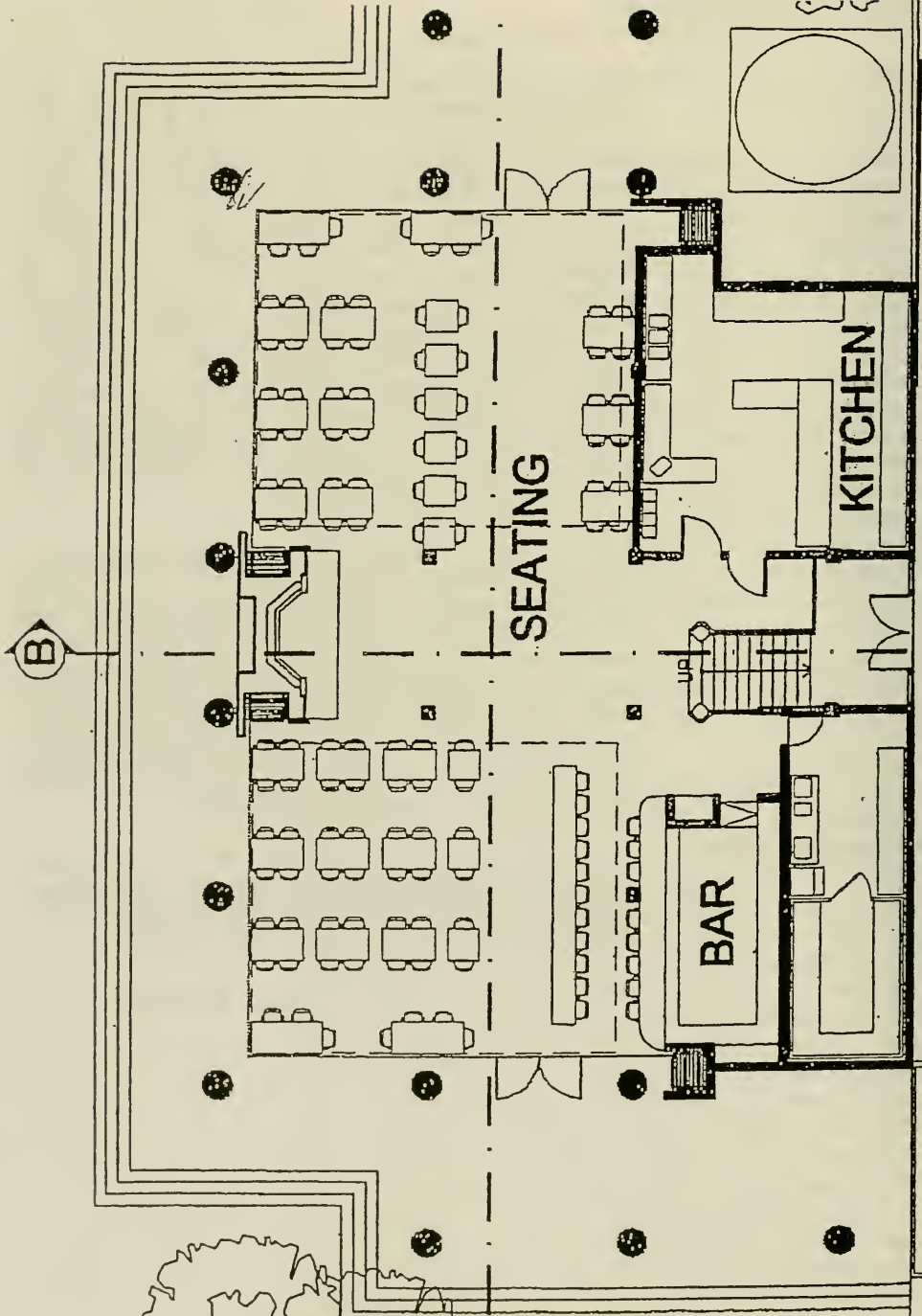
Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting

previously stated that the estimated water usage for RPD at the Beach Chalet building was \$77,000 or 50 percent of the total estimated water usage of \$154,000. In the view of the Budget Analyst, it is highly unlikely that the City's water usage on the first floor would exceed the Beach Chalet restaurant and bar water usage on the second floor. Therefore, the Budget Analyst recommends amending the proposed resolution to limit the reimbursement to Beach Chalet L.P. by RPD for this prior water usage at \$77,000, since it is unlikely that RPD incurred more than half of the total water usage at the Beach Chalet building. Mr. Mack does not concur with this recommendation because, he states, a more accurate estimate of prior water usage by RPD will not be determined until separate meters are installed for each floor of the Beach Chalet building.

6. According to Mr. Mack, the proposed First Amendment would also require Beach Chalet L.P. to pay RPD \$6,144.90 in past due rent from 1997. Mr. Mack advises that Beach Chalet L.P. discounted this \$6,144.90 amount from the rent payment because it had provided \$6,144.90 worth of complimentary meals to City employees. Mr. Mack further advises that RPD informed Beach Chalet L.P. that such a discount was not allowed. Under the terms of the First Amendment, RPD would waive any late charges and interest on this past due amount.

**Recommendation:**

1. In accordance with Comment No. 5, amend the proposed resolution to limit the reimbursement to be paid to Beach Chalet L.P. by RPD for prior water usage on the first floor of the Beach Chalet building at \$77,000.
2. Approve the proposed resolution, as amended.



Beach Chalet Brewery & Restaurant / S.F.Recreation and Parks Department - Deck and Garden Project  
1000 Great Hwy  
San Francisco, CA 94121

| S.I. D  | Section | DESCRIPTION                                                                     | Quantity | Unit | Unit Price | Extension | Division Subtotals | High Range Factors: | Division Subtotals |
|---------|---------|---------------------------------------------------------------------------------|----------|------|------------|-----------|--------------------|---------------------|--------------------|
|         |         |                                                                                 |          |      |            |           | LOW RANGE          |                     | HIGH RANGE         |
| Div. 0  |         | MISC.                                                                           |          |      |            |           | \$8,750            | 125%                | \$10,938           |
| Div. 1  |         | ANTICIPATED TASKS PER PROJECT MANUAL; GENERAL REQUIREMENTS SEPARATE (See Below) |          |      |            |           | \$2,250            | 110%                | \$2,475            |
| Div. 2  |         | SITEWORK                                                                        |          |      |            |           | \$13,900           | 110%                | \$15,290           |
| Div. 3  |         | CONCRETE                                                                        |          |      |            |           | \$75,950           | 110%                | \$83,545           |
| Div. 4  |         | MASONRY                                                                         |          |      |            |           | \$0                | 110%                | \$0                |
| Div. 5  |         | METALS                                                                          |          |      |            |           | \$8,653            | 110%                | \$9,518            |
| Div. 6  |         | WOOD and PLASTICS                                                               |          |      |            |           | \$74,038           | 110%                | \$81,441           |
| Div. 7  |         | THERMAL & MOISTURE PROTECTION                                                   |          |      |            |           | \$49,360           | 110%                | \$54,296           |
| Div. 8  |         | DOORS & WINDOWS                                                                 |          |      |            |           | \$103,150          | 110%                | \$113,465          |
| Div. 9  |         | FINISHES                                                                        |          |      |            |           | \$25,000           | 110%                | \$27,500           |
| Div. 10 |         | SPECIALTIES                                                                     |          |      |            |           | \$38,500           | 110%                | \$42,350           |
| Div. 11 |         | EQUIPMENT                                                                       |          |      |            |           | \$0                | 110%                | \$0                |
| Div. 12 |         | MILLWORK                                                                        |          |      |            |           | \$26,000           | 110%                | \$28,600           |
| Div. 13 |         | SPECIAL CONSTRUCTION                                                            |          |      |            |           | \$7,950            | 110%                | \$8,745            |
| Div. 15 |         | MECHANICAL SYSTEMS                                                              |          |      |            |           | \$90,950           | 110%                | \$100,045          |
| Div. 16 |         | ELECTRICAL                                                                      |          |      |            |           | \$40,250           | 110%                | \$44,275           |
|         |         |                                                                                 |          |      |            |           | \$564,700          |                     | \$622,483          |

## CONSTRUCTION BUDGET SUMMARY:

### I. SUBTOTAL, PROBABLE COST OF WORK IN TRADES

### II. INTEGRAL PROJECT FACTORS:

|                                                                                              |      |          |       |          |
|----------------------------------------------------------------------------------------------|------|----------|-------|----------|
| DIV. 1 -- General Contractor's General Conditions                                            | 9.0% | \$50,823 | 11.0% | \$68,473 |
| Supplementary Conditions; Includes Cost Impact of HRC & Other Agency Procedural Requirements | 4.0% | \$22,588 | 5.0%  | \$31,124 |
| General Contractor's Home Office Overhead + Profit                                           | 9.0% | \$57,430 | 10.0% | \$72,208 |
| Payment & Performance Bonds (Assume Req'd. for General & Subs)                               | 1.5% | \$10,433 | 2.5%  | \$19,857 |

### CONSTRUCTION TOTAL

\$705,974 110% \$814,145

by Calculation:

### III. NOTED EXCLUSIONS:

|                                                                                 |      |           |       |           |
|---------------------------------------------------------------------------------|------|-----------|-------|-----------|
| Preconstruction Phase Design                                                    |      | \$85,000  |       | \$100,000 |
| All Owner's Course-of-Construction Reserves, Such as a Change Order Contingency | 5.0% | \$42,362  | 10.0% | \$100,581 |
| All Owner's Furniture, Fixtures & Equipment                                     |      | \$101,620 | 10.0% | \$150,000 |

### CONSTRUCTION TOTAL WITH BIDDING CLIMATE FACTOR

\$934,957 \$1,164,726

## Projected Rent to City without the Deck

| Year | Gross Revenue <sup>1</sup> | Food & on-Alcoholic Beverages <sup>2</sup> | Alcoholic Beverages <sup>3</sup> | Retail Goods <sup>4</sup> | Misc. <sup>5</sup> | Total Projected Rent to City |
|------|----------------------------|--------------------------------------------|----------------------------------|---------------------------|--------------------|------------------------------|
|      |                            |                                            |                                  |                           |                    |                              |
|      |                            |                                            |                                  |                           |                    |                              |

| Percentage Rent |    |
|-----------------|----|
| 6%              | 3% |

|                   |             |           |           |         |         |           |
|-------------------|-------------|-----------|-----------|---------|---------|-----------|
| 1998              | \$4,886,330 | \$209,970 | \$99,826  | \$1,301 | \$1,471 | \$305,510 |
| Actual 1999       | \$4,990,319 | \$211,511 | \$100,820 | \$2,207 | \$1,250 | \$306,932 |
| Actual 2000       | \$5,384,969 | \$238,561 | \$101,211 | \$2,801 | \$385   | \$334,441 |
| Actual 2001       | \$5,070,921 | \$226,439 | \$94,269  | \$2,191 | \$105   | \$315,400 |
| Actual 2002       | \$5,261,081 | \$227,279 | \$102,591 | \$3,157 | \$1,578 | \$334,605 |
| Est.              |             |           |           |         |         |           |
| 2003 <sup>6</sup> | \$5,458,371 | \$235,802 | \$106,438 | \$3,275 | \$1,638 | \$347,152 |
| 2004              | \$5,663,060 | \$244,644 | \$110,430 | \$3,398 | \$1,699 | \$360,171 |
| 2005              | \$5,875,425 | \$253,818 | \$114,571 | \$3,525 | \$1,763 | \$373,677 |
| 2006              | \$6,095,753 | \$263,337 | \$118,867 | \$3,657 | \$1,829 | \$387,690 |
| 2007              | \$6,324,344 | \$273,212 | \$123,325 | \$3,795 | \$1,897 | \$402,228 |
| 2008 <sup>7</sup> | \$6,561,507 | \$283,457 | \$127,949 | \$3,937 | \$1,968 | \$417,312 |

<sup>1</sup> Projection assumes yearly increase in gross revenues of 3.75%.<sup>2</sup> Food & Non-Alcoholic beverages sales estimated at 72% of gross revenues.<sup>3</sup> Alcoholic Beverages sales estimated at 26% of gross revenues.<sup>4</sup> Retail sales estimated at 1% of gross revenues.<sup>5</sup> Miscellaneous sales estimated at 1% of gross sales.<sup>6</sup> Percentage rent for alcoholic beverages increases by 1.5% with the addition of the deck. Completion approx. Sept. 1, 2003.<sup>7</sup> Percentage rent for alcoholic beverages and miscellaneous increases an additional 1% once the rent credit is paid off.<sup>8</sup> No out of pocket costs to City; cost is in the form of a rent credit.

## Projected Rent to City with the Deck

| Year | Gross Revenue <sup>1</sup> | Food & on-Alcoholic Beverages <sup>2</sup> | Alcoholic Beverages <sup>3</sup> | Retail Goods <sup>4</sup> | Misc. <sup>5</sup> | Subtotal Projected Rent to City | Less Rent Credit <sup>8</sup> | Total Projected Rent to City | Incremental Rent to City (B - A) |
|------|----------------------------|--------------------------------------------|----------------------------------|---------------------------|--------------------|---------------------------------|-------------------------------|------------------------------|----------------------------------|
|      |                            |                                            |                                  |                           |                    |                                 |                               |                              |                                  |
|      |                            |                                            |                                  |                           |                    |                                 |                               |                              |                                  |

| Percentage Rent |    |
|-----------------|----|
| 6%              | 3% |

|                   |             |           |              |         |         |           |            |           |           |
|-------------------|-------------|-----------|--------------|---------|---------|-----------|------------|-----------|-----------|
| 1998              | \$4,886,330 | \$209,970 | \$99,826     | \$1,301 | \$1,471 | \$305,510 | 0          | \$305,510 | \$0       |
| Actual 1999       | \$4,990,319 | \$211,511 | \$100,820    | \$2,207 | \$1,250 | \$306,932 | 0          | \$306,932 | \$0       |
| Actual 2000       | \$5,384,969 | \$238,561 | \$101,211    | \$2,801 | \$385   | \$334,441 | 0          | \$334,441 | \$0       |
| Actual 2001       | \$5,070,921 | \$226,439 | \$94,269     | \$2,191 | \$105   | \$315,400 | 0          | \$315,400 | \$0       |
| Actual 2002       | \$5,261,081 | \$227,279 | \$102,591    | \$3,157 | \$1,578 | \$334,605 | 0          | \$334,605 | \$0       |
| Est.              |             |           |              |         |         |           |            |           |           |
| 2003 <sup>6</sup> | \$5,458,371 | \$252,002 | \$119,438    | \$3,500 | \$1,750 | \$376,690 | (\$13,750) | \$362,940 | \$15,788  |
| 2004              | \$5,663,060 | \$310,052 | \$167,945    | \$4,306 | \$2,153 | \$484,456 | (\$55,000) | \$429,456 | \$69,285  |
| 2005              | \$5,875,425 | \$321,679 | \$174,243    | \$4,468 | \$2,234 | \$502,623 | (\$55,000) | \$447,623 | \$73,946  |
| 2006              | \$6,095,753 | \$333,742 | \$180,777    | \$4,635 | \$2,318 | \$521,471 | (\$55,000) | \$466,471 | \$78,781  |
| 2007              | \$6,324,344 | \$346,257 | \$187,556    | \$4,809 | \$3,206 | \$541,828 | (\$40,000) | \$501,828 | \$99,600  |
| 2008 <sup>7</sup> | \$6,561,507 | \$359,242 | \$216,210.17 | \$4,989 | \$3,326 | \$583,767 |            | \$583,767 | \$166,456 |

5 Year Total (\$218,750)

Return on Investment

230.33%

INVOICE

REMIT PAYMENT TO:  
Aon Risk Services, Inc. of Northern California  
San Francisco Branch  
Department 7935  
Los Angeles, CA 90088-7935

**Aon Risk Services, Inc.**  
Northern California Insurance Services  
One Market, Spear Tower, Suite 2100  
San Francisco, California 94105

San Francisco P.U.C.  
Attn: Mr. Keith Grand  
25 Van Ness Ave. Room #720  
San Francisco, CA 94102

| INVOICE DATE  | INVOICE NUMBER  |
|---------------|-----------------|
| 1/07/97       | 713870          |
| AGENCY NUMBER | AGENCY CONTACT  |
| 00-165730-000 | 3610-4840       |
|               | AMOUNT EMPLOYED |
|               |                 |

PREMIUM IS DUE ON RECEIPT OF INVOICE.

| ENDORSEMENT   | COVERAGE                       | START DATE | EXPIRATION DATE | AMOUNT |
|---------------|--------------------------------|------------|-----------------|--------|
| 9/01/96 UR277 | Attendale Mutual Insurance Co. | 9/01/96    | 9/01/97         |        |

Combined Property Coverage

ADDITIONAL PREMIUM  
BROKER'S FEE

4,481.00  
672.00

**PAID**

PRO RATA PREMIUM ADDING BEACH CHALET  
EFFECTIVE 12/27/96 TO 9/1/97

| AMOUNT DUE | PAY PREPARED TO PAYMENT SITUATION |
|------------|-----------------------------------|
| 5,153.00   |                                   |

Inv #713870

RETAIN THIS COPY FOR YOUR RECORDS

*Aon Risk Services, Inc. of  
Northern California Insurance Services  
One Market, Spear Tower, Suite 2100  
San Francisco, California 94105*

City & County of S.F.  
Recreation & Parks Dept.  
99 Grove Street, Room 203  
San Francisco, CA 94102

Assured: San Francisco P.U.C.

165730

PREMIUM IS DUE ON RECEIPT OF INVOICE.

9/01/97 UR277 9/01/97 9/19/97

Allendale Mutual Insurance Co.

Renewal Combined Property Coverage

PREMIUM  
BROKER'S FEE

325.00  
46.00

Inv #747377

RETAIN THIS COPY FOR YOUR RECORDS

AMOUNT  
DUE \$371.00  
PAY PROMPTLY TO PREVENT CANCELLATION

San Francisco Branch  
Department 7935  
Los Angeles, CA 90088-7935

|               |           |
|---------------|-----------|
| 11705/97      | 747377    |
| 00-165730-000 | 3848-4975 |



**Aon Risk Services**

*Aon Risk Services, Inc.*  
*of Northern California Insurance Services*  
 One Market, Spear Tower, Suite 2100  
 San Francisco, California 94105  
 Telephone: 415/543-9360

**City & County of S.F.**  
**Recreation & Parks Department**  
**99 Grove Street, Room 203**  
**San Francisco, CA 94102**

**Assured: San Francisco P.U.C.**

**165730**

PREMIUM IS DUE ON RECEIPT OF INVOICE.

San Francisco Branch  
 Department 7935  
 Los Angeles, CA 90088-7935

| INVOICE NUMBER   |           |
|------------------|-----------|
| 11/12/97         | 748448    |
| AGENCY CONTACT   |           |
| 00-165730-000    | 3848-4975 |
| AMOUNT ENCLOSURE |           |

| SECTION<br>EFFECTIVE DATE | POLICY NUMBER | INSURANCE COMPANY       | POLICY<br>EFFECTIVE DATE | POLICY<br>EXPIRATION DATE |
|---------------------------|---------------|-------------------------|--------------------------|---------------------------|
| 9/97                      | TBD-PEPIP PRO | Lexington Insurance Co. | 9/19/97                  | 5/15/98                   |

Amount Due

Commercial Property Coverage

|                   |          |
|-------------------|----------|
| PREMIUM           | 3,361.29 |
| SURPLUS LINES TAX | 52.58    |
| SURPLUS LINES FEE | 6.13     |
| BROKER'S FEE      | 633.00   |

Inv #748448

RETAIN THIS COPY FOR YOUR RECORDS

AMOUNT  
DUE

**34,053.00**

**PAY PROMPTLY TO PREVENT CANCELLATION**

Aon Risk Services, Inc.  
of Northern California Insurance Services  
One Market, Spear Tower, Suite 2100  
San Francisco, California 94105  
Telephone: 415/643-9360

Recreation & Parks Dept.  
Attn.: Keith Grand  
99 Grove Street, Room 203  
San Francisco, CA, 94102

Assured: San Francisco P.U.C.

165730

PREMIUM IS DUE ON RECEIPT OF INVOICE.

|                                  |  |                                   |  |                                    |  |
|----------------------------------|--|-----------------------------------|--|------------------------------------|--|
| ACTION DATE<br>07/15/98          |  | POLICY EFFECTIVE DATE<br>07/15/98 |  | POLICY EXPIRATION DATE<br>07/15/99 |  |
| INVOICE NO.<br>6/16/98           |  | POLICY NO.<br>00-165730-000       |  | INVOICE AMOUNT<br>772911           |  |
| CITY<br>SAN FRANCISCO            |  | STATE<br>CA                       |  | ZIP<br>94102                       |  |
| NAME<br>RECREATION & PARKS DEPT. |  | ADDRESS<br>99 GROVE STREET        |  | CITY<br>SAN FRANCISCO              |  |
| STATE<br>CA                      |  | ZIP<br>94102                      |  | AMOUNT DUE<br>\$3,508.35           |  |

| DESCRIPTION                                                                                                                         | AMOUNT            |
|-------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| newal                                                                                                                               |                   |
| Premium                                                                                                                             | 2,541.21          |
| SURPLUS LINES TAX                                                                                                                   | 34.68             |
| SURPLUS LINES FEE                                                                                                                   | 3.85              |
| BROKER'S FEE                                                                                                                        | 676.59            |
| MISCELLANEOUS POLICY FEE                                                                                                            | 252.02            |
| Premium now due for the renewal of the<br>FEETIP HFR coverage policy effective<br>05/15/98.<br>Rec & Parks Dept.: \$10,627,500 ITV. |                   |
| <b>TOTAL DUE</b>                                                                                                                    | <b>\$3,508.35</b> |

Inv #772911

RETAIN THIS COPY FOR YOUR RECORDS

PAY PROMPTLY TO PREVENT CANCELLATION

**AION**

*Aon Risk Services*

*Aon Risk Services, Inc.*  
*of Northern California Insurance Services*  
One Market, Spear Tower, Suite 2100  
San Francisco, California 94103  
Telephone: 415/341-9360

RECEIVED

JUL 2 1999

City & County of San Francisco  
One Carlton B. Goodlett Place  
City Hall, Room 3622  
San Francisco, CA 94102

PREMIUM IS DUE ON RECEIPT OF INVOICE.

| TRANSACTION<br>EFFECTIVE DATE | POLICY NUMBER | INSURANCE COMPANY        | POLICY<br>EFFECTIVE DATE | POLICY<br>EXPIRATION DATE |
|-------------------------------|---------------|--------------------------|--------------------------|---------------------------|
| 5/15/99                       | 87721877      | CALIFORNIA INSURANCE CO. | 5/15/99                  | 5/15/00                   |

Endorsement

Commercial Property Coverage

ADDITIONAL PREMIUM

\$5,925.00

Additional premium now due for the increase in the coverage limit and values change effective May 15, 1999.

Inv #817738

RETAIN THIS COPY FOR YOUR RECORDS

Amount  
Due

\$5,925.00

PAY PROMPTLY TO PREVENT CANCELLATION

REMIT PAYMENT TO:  
*Aon Risk Services, Inc. of Northern California*  
San Francisco Branch  
Department 7935  
Los Angeles, CA 90088-7935

| INVOICE DATE     | INVOICE NUMBER |
|------------------|----------------|
| 7/26/99          | 817738         |
| ASTUTED NUMBER   | AGENCY CONTACT |
| 00-165730-000    | 38398-4975     |
| AMOUNT INCREASED |                |
|                  |                |

FAM16300 V4.2 CITY/COUNTY OF SAN FRANCISCO PRODUCTION: FAMIS 06/03/2000  
LINK TO: TRANSACTION DETAIL INQUIRY 11:22 AM  
ACTIVE  
DOCUMENT -- POST PERIOD -- POST DATE ----- POSTED BY ----- UNIT  
PRC000000176 01 12 2000 JUNE 2000 06/09/2000 GUETERSLOH, HAROLD  
-----  
TRANS CODE : 210 ESTABLISH A V/P-DIRECT EXPENDITURES  
DOCUMENT REF :  
TRANS DESC. : \*845407\* PEP1F 5/15/00-01  
AMOUNT : 675,950.00 DUE DATE : 06/07/2000 SINGLE CHECK :  
VENDOR NUMBER : 31438 02 AON RISK SERVICES INC  
INDEX CODE : 255031 RISK MGMT-EXP  
SUB-OBJECT : 05111 INSURANCE EXPENSE  
USER CD :  
GRANT / GR DTL :  
PROJ / FJDTL :  
START DATE : END DATE :  
G/L / SUBSID :  
BANK NUMBER :



## Aon Risk Services

Aon Risk Services, Inc.  
of Northern California Insurance Services  
One Market, Spens Tower, Suite 2100  
San Francisco, California 94103  
Telephone: 415/543-9360

## INVOICE

### REMIT PAYMENT TO

Aon Risk Services, Inc. of Northern California  
San Francisco Branch  
Department 793  
Los Angeles, CA 90086-793

| INVOICE NUMBER |           |
|----------------|-----------|
| 5/31/00        | 845407    |
| 00-165730-000  | 3771-4938 |

City & County of San Francisco  
One Carlton B. Goodlett Place  
City Hall, Room 362  
San Francisco, CA 94102

PREMIUM IS DUE ON RECEIPT OF INVOICE.

| POLICY NUMBER |               |                         |                 |
|---------------|---------------|-------------------------|-----------------|
| 5/15/00       | TO BE DETERMI | Lexington Insurance Co. | 5/15/00 5/15/01 |

| RENEWAL                       |         |            |        |
|-------------------------------|---------|------------|--------|
| Commercial Property Coverage  |         |            |        |
| PREMIUM                       |         | 613,589.00 |        |
| BROKER'S FEE                  |         | 62,361.00  |        |
|                               | Premium | Fees       |        |
| Betch Hetchy                  | 58,006  | 5,896      |        |
| SFO Convention Center/Moscone | 41,831  | 4,251      |        |
| San Francisco Railway         | 236,203 | 24,005     |        |
| Port                          | 250,426 | 25,454     |        |
| Rec/Parks                     | 640     | 65         | \$ 705 |
| SFO Water                     | 26,483  | 2,690      |        |

AMOUNT  
DUE

## RISK MANAGER PROGRAM

CITY COUNTY OF SAN FRANCISCO  
PEPIP 05/15/01-02 VALUES

9/5/02

| PEPIP 5/15/01-02 |                  |                  |                 |                   |
|------------------|------------------|------------------|-----------------|-------------------|
| DEPARTMENT       | 01- 02 TIV       | 01- 02 PROP PREM | 01- 02 B&M PREM | TOTAL PREM 01- 02 |
| E911             | \$ 41,964,563    | \$ 23,307        | \$ 1,987        | \$ 25,294         |
| HETCHY           | \$ 425,755,798   | \$ 241,375       | \$ 20,436       | \$ 261,811        |
| MOSCONE          | \$ 476,529,327   | \$ 262,878       | \$ 15,667       | \$ 278,545        |
| MUNI             | \$ 1,696,414,389 | \$ 580,735       | \$ 71,278       | \$ 652,013        |
| PORT-CONTINGENT  |                  |                  |                 | \$ -              |
| PORT-CRANES      |                  |                  |                 | \$ -              |
| PORT             | \$ 1,344,219,791 | \$ 499,419       | \$ 23,995       | \$ 523,414        |
| REAL ESTATE      | \$ 7,068,070     | \$ 4,212         | \$ 369          | \$ 4,581          |
| REC & PARK       | \$ 4,123,046     | \$ 2,155         | \$ 500          | \$ 2,655          |
| REDEV-YERBA      | \$ 131,077,914   | \$ 64,510        | \$ 6,240        | \$ 70,750         |
| SHERIFFS         | \$ 104,311,600   | \$ 58,495        | \$ 5,005        | \$ 63,500         |
| WATER            | \$ 222,788,436   | \$ 107,517       | \$ 10,768       | \$ 118,285        |
| TOTAL            | \$ 4,454,252,934 | \$ 1,844,603     | \$ 156,245      | \$ 2,000,848      |



# MEMORANDUM

January 23, 2003

TO: Harvey Rose, Budget Analyst

FROM: <sup>Q</sup>Chris Mack, Property Manager

SUBJECT: Resolution for the Board - 030047

The Beach Chalet L.P. has been paying the entire water bill for the Beach Chalet building since December 31, 1996, an amount estimated at \$154,000. The City, however, was required to pay for all the water usage for the Beach Chalet building except for what Lessee is required to pay under the Lease. In order to determine past water usage by City and Lessee, City will install deduct meters, as explained in Section 22.1(a) of the Lease Amendment.

Section 22.0 of the Original Lease is amended and restated as follows:

## 22.0 UTILITIES.

### 22.1 Water.

(a) Future Usage. City will install, at its expense, two deduct meters to measure use of water at the Building. City will install an appropriately sized meter in the ceiling of the women's restroom that will measure the cold water usage on the second floor of the Building. Lessee will pay for all cold water usage and associated sewer charges as measured by this meter. If necessary, a third meter will be installed to measure water usage for the Lessee's operation of the food and beverage service in the Deck area. City will install an appropriately sized meter under the exterior deck leading towards the boiler. This meter will measure all the hot water usage in the Building. Lessee will pay for all hot water usage and associated sewer charges as measured by this meter.

After an evaluation period of 120 days, as described in Section 22.1(b), City will determine what its share of past water usage would be.

(b) Past Usage. Lessee has paid for all water bills until a separate metering system as described in paragraph 22.1 (a)(i) could be established. Therefore, City will issue a rent credit to Lessee for the cost of the water usage attributable to City during the period from December 31, 1996 to the date upon which the deduct meters described in paragraph 22.1(a)(i), above, are installed. After the deduct meters are installed, City will use a 120-day evaluation period to determine the average usage by Lessee and City. During the 120-day evaluation period Lessee shall present copies of all water bills to City for the period from December 31, 1996 until the deduct meters were installed. City shall issue the rent credit within fifteen (15) working days after expiration of the 120-day evaluation period. The cost of water usage and associated sewer charges attributable to City shall be determined by the San Francisco Water Department.

It is impossible to estimate City's share of past water usage without first installing the deduct meters, at which time the evaluation, in cooperation with the PUC, will accurately reflect what the City owes. Once the deduct meters are installed, City and Beach Chalet LP will be paying their own share of the water usage monthly.

If you have any questions, please contact me at 831-2775.

cc: File

Memo to the Finance Committee  
January 29, 2003 Finance Committee Meeting

Item 7 - File 03-0048

**Departments:** Mayor's Office of Housing

**Item:** Resolution approving, for the purposes of Section 147(f) of the Internal Revenue Code of 1986, the issuance and sale of single family mortgage revenue bonds by the City and County of San Francisco in an aggregate principal amount not to exceed \$36,000,000.

**Amount:** Not to exceed \$36,000,000

**Source of Funds:** Single Family Mortgage Revenue Bonds

**Description:** The proposed resolution would approve the issuance and sale of single family mortgage revenue bonds in the amount not to exceed \$36,000,000 for Internal Revenue Code purposes (see Comment No. 2). The proposed resolution also states that the approval of the issuance of the bonds by the City is not an approval of the underlying credit issues of the proposed single family mortgage revenue bonds nor an approval of the financial structure of the bonds.

**Comments:** 1. According to Mr. Joe LaTorre of the Mayor's Office of Housing, on December 16, 2002, the Board of Supervisors authorized the application to the State of California for a new allocation of mortgage credit certificates<sup>1</sup> and single family mortgage revenue bonds, File No. 02-0853. According to Mr. LaTorre, the proposed resolution does not apply to the mortgage credit certificates portion of the City's application. Mr. LaTorre advises that the California Debt Limit Allocation Committee (CDLAC) will award new allocations of single family mortgage revenue bonds in March of 2003. Mr. LaTorre states that the Major's Office of Housing will propose the financial and credit structure of the bonds to the Board of Supervisor in

---

<sup>1</sup> The Mortgage Credit Certificate Program, which is a State-authorized program, provides assistance to first-time home buyers by allowing an eligible home purchaser to take an annual credit against Federal income taxes of a percentage of the annual mortgage interest payments on a single family residence or a duplex. A home buyer who is awarded a Mortgage Credit Certificate is eligible for a tax credit on a portion of the interest paid on the mortgage, and would also be able to deduct the remaining amount of the annual mortgage interest payments as an itemized deduction on the home buyer's Federal income taxes. By reducing the Federal income tax burden, the home buyer is left with increased disposable income with which to cover mortgage payments.

Memo to the Finance Committee  
January 29, 2003 Finance Committee Meeting

March of 2003. The Board of Supervisors approval of the sale and issuance of single family mortgage revenue bonds would be conditioned, however, on the approval of the City's application by CDLAC.

2. According to Mr. LaTorre and as described in the Attachment to this report, Section 147(f) of the Internal Revenue Code requires that, prior to issuing single family mortgage revenue bonds, (1) the Board of Supervisors adopt a resolution approving the issuance and sale of the bonds and (2) the City hold a hearing for public comment on the proposed program. Mr. LaTorre states that in requesting Board of Supervisor approval of issuance and sale of single family mortgage revenue bonds in the past, the applicable hearing for public comment had been held by the Mayor's Office of Housing after CLDAC has allocated bond issuance authority to the City, and prior to approval by the Board of Supervisors of the final resolution authorizing issuance and sale of the bonds. However, the California Debt Limit Allocation Committee now requires that the hearing for public comment and Board of Supervisors approval of issuance and sale of single family mortgage revenue bonds for the purpose of Internal Revenue Code Section 147(f) must occur prior to considering the City's application for bond issuance authority, according to Mr. LaTorre.

3. Mr. Mark Blake of the City Attorney's Office advises that approval of the subject resolution does not obligate the CDLAC to provide a new allocation of single family mortgage revenue bonds nor does it obligate the City to issue single family mortgage revenue bonds. Mr. Blake states that the Mayor's Office of Housing would need to obtain Board of Supervisors approval in order to issue the single family mortgage revenue bonds and that the Board of Supervisors must still approve the issuance and sale of single family mortgage revenue bonds, including the specific bond provisions and final bond amount and structure, should the CDLAC approve the City's application for a new allocation of single family mortgage revenue bonds.

Recommendation: Approve the proposed resolution.

# MEMORANDUM

## *Mayor's Office of Housing*

---

January 23, 2003

**TO:** Harvey Rose, Budget Analyst

**FROM:** Joe LaTorre, Deputy Director

**SUBJECT:** File No. 03-0048 – Resolution Approving, for Internal Revenue Code Purposes,  
Issuance of Mortgage Revenue Bonds

The Mayor's Office of Housing has submitted to the Board of Supervisors a proposed resolution approving, for the purposes of Section 147(f) of the Internal Revenue Code of 1986, the issuance and sale of single family mortgage revenue bonds by the City in an aggregate principal amount not to exceed \$36,000,000.

By Resolution 853-02, adopted by the Board on December 16, 2002 and signed by the Mayor on December 20, 2002, the Mayor's Office of Housing was authorized to submit an application to the California Debt Limit Allocation Committee (CDLAC) for an allocation of \$20,000,000 of the State's ceiling for private activity bonds for a proposed first time homebuyer mortgage loan program.

Section 147(f) of the Internal Revenue Code requires that, prior to issuing mortgage revenue bonds, the issuing jurisdiction hold a hearing offering an opportunity for public comment on the proposed program (the "TEFRA hearing"), and that the public body for that jurisdiction adopt a resolution approving the issuance of the bonds for the purposes of Section 147(f) of the Code. In prior bond issuances, this hearing has been held by the Mayor's Office of Housing prior to approval by the Board of Supervisors of the final resolution authorizing issuance of the bonds, and the Board's approval of the TEFRA hearing has been part of that resolution.

However, in 2002, CDLAC began to require that the TEFRA hearing and Board of Supervisors approval of issuance for the purpose of Section 147(f) occur prior to considering the City's application for bond issuance authority. As a practical matter, this requires separation of approval for Internal Revenue Code purposes from the approval of the bonds themselves, since the final bond amount and structure cannot be determined until after CDLAC approval is obtained. The Mayor's Office of Housing is required to submit the approved resolution of approval for Internal Revenue Code purposes by February 14, 2003, for the application that CDLAC will consider at its meeting of March 26, 2003.

The Mayor's Office of Housing will hold the TEFRA hearing on January 28, 2003, and will report the substance of that hearing to the Finance Committee on January 29. This timetable will permit us to meet the February 14 deadline.

MOH will still need to obtain approval from the Board of Supervisors to issue the bonds themselves. MOH will be meeting shortly with the City Attorney, bond counsel, and our financial advisor to develop the specific program structure, the financial structure of the bonds, and the required documents for bond issuance (indenture, origination, servicing and administration agreement, official statement or private placement memorandum, etc.). The Board will need to approve all of these elements before the bonds can be issued. MOH anticipates that the request for bond issuance authority will be submitted to the Board of Supervisors in mid-March.

MOH is proposing approval for Internal Revenue Code purposes of an amount not to exceed \$36,000,000. This amount is requested because MOH expects to combine the new issuance authority which is the subject of the approved application (\$20,000,000) with the refunding of previously issued mortgage revenue bonds in the approximate amount of \$15,000,000. The previously issued bonds were authorized by Resolution 842-99, adopted by the Board of Supervisors on September 21, 1999. Combining the refunding bonds with new allocation will enable the Mayor's Office of Housing to offer the lowest possible interest rate and best loan terms to the first time homebuyers who will receive the loans. The resolution for bond issuance which will be submitted to the Board in March will seek approval for both the new allocation bonds and the refunding bonds as a single issuance.

Finally, although MOH has applied to CDLAC for \$20 million in new allocation, it is highly unlikely that CDLAC will approve the full amount requested. MOH anticipates that the resolution for bond issuance to be submitted in March will propose a mortgage loan program for an amount not to exceed \$20 million to \$30 million, depending on CDLAC's likely approval amount and the requirements of the specific bond structure.

Memo to the Finance Committee  
January 29, 2003 Finance Committee Meeting

Item 8 - File 03-0003

**Departments:** Department of Administrative Services, Real Estate Division  
Municipal Transportation Agency  
Arts Commission

**Item:** Resolution approving the sale by the Arts Commission of real property located at 1345 Turk and 1140 Fillmore Streets to the San Francisco Redevelopment Agency for \$900,000; approving the interdepartmental transfer of jurisdiction over 1345 Turk from the Municipal Transportation Agency (MUNI) to the City's Arts Commission; authorizing the Director of Property to enter into an Agreement, for the Sale of Real Property currently under the jurisdiction of the MUNI and the Arts Commission, with the San Francisco Redevelopment Agency for the sale to the Redevelopment Agency of such real property for the development of affordable housing and other public beneficial uses.

**Property:** 1345 Turk Street (the MUNI parcel)  
1140 Fillmore Street (the Arts Commission parcel)

**Buyer:** Redevelopment Agency

**Seller:** Arts Commission

**Sale Price:** \$900,000

**Description:** The proposed resolution authorizes (1) the interdepartmental transfer of 1345 Turk Street from the MTA to the City's Arts Commission, (2) the sale of 1345 Turk Street and 1140 Fillmore Street by the Arts Commission to the Redevelopment Agency for \$900,000, (3) the allocation of the net sale proceeds of \$900,000, including \$633,902 to the MUNI and \$241,098 to the Arts Commission, after deducting fees of \$20,000 for the City Attorney's Office and \$5,000 for the Real Estate Division for the cost of completing the transaction, and (4) the execution by the Director of Property on behalf of the City of the Agreement for the Sale of Real Property (the Agreement) by the Arts Commission to the Redevelopment Agency.

Memo to the Finance Committee  
January 29, 2003 Finance Committee Meeting

The proposed resolution also would adopt the Planning Department's May 8, 2002 determination that the sale of the subject properties by the Arts Commission to the Redevelopment Agency would not require Environmental Review and is consistent with the eight Priority Policies of the Planning Code.

Comments:

1. As shown in Attachment I to this report, 1345 Turk Street and 1140 Fillmore Street are adjacent properties. The property at 1345 Turk Street (the MUNI parcel) is currently under the jurisdiction of the City's Municipal Transportation Agency (MUNI), formerly the City's Public Transportation Commission. The Public Transportation Commission adopted Resolution No. 99-090 on September 7, 1999 to authorize the transfer of 1345 Turk Street to the Arts Commission for the primary use and development of affordable housing, art and community uses, and other publicly beneficial uses. As noted above, the proposed resolution would execute this transfer. The MUNI parcel consists of approximately 23,926 square feet, with a vacant two-story building formerly used as office space by the MUNI. According to Mr. Larry Ritter of the Real Estate Division, this building was damaged in a fire approximately four years ago and has since been vacant. The property at 1140 Fillmore Street (the Arts Commission parcel) consists of approximately 9,101 square feet, with a vacant unreinforced masonry building formerly used as a MUNI power substation. On April 23, 1979 this building was designated City Landmark No. 105.

According to a Seismic Evaluation Report, prepared by a consultant for the Redevelopment Agency in September of 2001, the estimated cost of retrofitting the MUNI substation is \$1,300,000. As noted above, the unreinforced masonry building is a City Landmark and cannot be demolished. Therefore, the structure would first need to be retrofitted for seismic safety in order for the structure to be reused.

2. According to Mr. Albert Luis of the Redevelopment Agency and as described in more detail in Attachment II to this report, the Redevelopment Agency would issue two Requests For Qualifications (RFQs) for the two subject

properties: 1) to develop affordable rental housing to be constructed on the MUNI parcel and 2) to rehabilitate and reuse the City Landmark formerly used as the MUNI substation, which has been designated as a City Landmark, for commercial/retail uses. Mr. Luis notes that the issuance of the RFQs would require the approval of the Arts Commission. Additionally, according to Mr. Donnell Choy of the City Attorney's Office, the approval of the Board of Supervisors would be required for the disposition or long-term lease of the subject properties for development because the Redevelopment Agency would purchase the subject properties from the Arts Commission using Tax Increment Bond proceeds, secured by Tax Increment funds.

3. According to Mr. Ritter and as shown in Attachment III, "David Bohegian of Martorana & Bohegian & Company<sup>1</sup> recently completed an appraisal of the S&C Ford property at 2001 Market near the sale at 1 Duboce Ave. His value for the site was \$85,000 per potential unit. It is Mr. Bohegian's opinion that the subject property's value would be \$40,000± per unit." Mr. Ritter states and as shown in Attachment III, that he concurs with Mr. Bohegian's value of \$40,000 per potential unit and that "the subject property could be developed with up to 55 units (of housing). At \$40,000 per unit its value would be \$2,200,000±." Mr. Ritter states that the Real Estate division did not value the MUNI parcel and the Arts Commission parcel separately. Mr. Ritter states that the Real Estate Division subtracted the estimated cost, provided by the Redevelopment Agency, of retrofitting the MUNI substation of \$1,300,000, for a total sales price of \$900,000. The Budget Analyst questions whether relying on the oral opinion of an independent appraiser to determine the sales price is prudent practice.

4. According to Mr. Luis and as described in Attachment I to this report, the Redevelopment Agency will conduct two RFQ processes, one for the Arts Commission parcel and one for the MUNI parcel. The Redevelopment Agency plans to develop affordable housing on the MUNI parcel and an adaptive reuse project with retail and commercial

---

<sup>1</sup> According to Mr. Ritter, Mr. David Bohegian is a member of the Real Estate Division's appraisal panel.

uses on the Arts Commission parcel. Mr. Luis notes that developing housing on the MUNI parcel is separate from the retrofit of the MUNI substation on the Arts Commission parcel and therefore these projects may be conducted at separate times.

5. The proposed resolution states that the \$900,000 in sale proceeds would be allocated between the MUNI and the Arts Commission, after deducting fees to the City Attorney's Office and the Real Estate Division for the cost of completing the transaction, in proportion to the gross square feet of land for each parcel that was under their prospective jurisdictions prior to the adoption of this subject resolution. The proceeds of the proposed sale would be distributed as follows: (a) MUNI - \$633,902, (b) Arts Commission / General Fund - \$241,098, (c) the City Attorney - \$20,000, (d) the Real Estate Division - \$5,000. According to Mr. Ben Rosenfield of the Mayor's Budget Office, the FY 2002-2003 Budget, as previously approved by the Board of Supervisors, included the \$900,000 in proceeds from the proposed parcel sales.

6. As previously noted, the Budget Analyst questions whether the purchase price of \$900,000 reflects the fair market value of the subject parcels because (1) the Real Estate Division is reporting a market value of \$2,200,000 based on an oral opinion of an independent appraiser who is a member of the Real Estate Division's appraisal panel, and (2) the Real Estate Division deducted \$1,300,000 from this oral opinion of \$2,200,000 based on the estimated cost of a seismic retrofit of the City landmark provided by the Redevelopment Agency, which may not be required to develop affordable housing on the MUNI parcel. We therefore recommend that the Finance Committee not approve the subject resolution at this time. The Budget Analyst instead recommends that the Finance Committee continue this item to the Call of the Chair and direct the Real Estate Division to obtain a written independent appraisal of the MUNI and Arts Commission parcels prior to the sale by the Arts Commission to the Redevelopment Agency for review and consideration by the Finance Committee.

Memo to the Finance Committee  
January 29, 2003 Finance Committee Meeting

7. Mr. Ritter disagrees with our recommendation that the Real Estate Division obtain a written rather than an oral independent appraisal of the MUNI and Arts Commission parcels because Mr. Ritter believes that \$900,000 represents the fair market value of the MUNI and Arts Commission parcels.

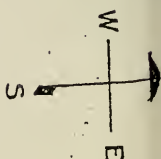
**Recommendation:**

As explained in Comment No. 5, continue this item to the Call of the Chair. The Budget Analyst further recommends that the Finance Committee direct the Real Estate Division to obtain a written independent appraisal of the MUNI and Arts Commission parcels for review and consideration by the Finance Committee prior to the sale by the Arts Commission to the Redevelopment Agency.

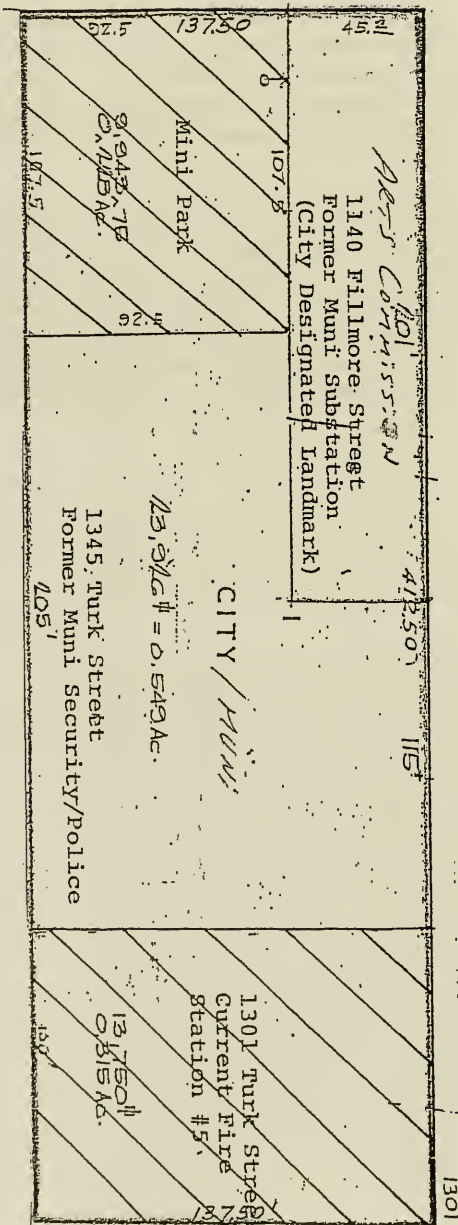
FILLMORE

Attachment I

Fairs Commission \$100 ± sq. ft.  
 Municipal Transportation Agency (MUNI)  
 23,926 ± sq. ft.



TURK



GOLDEN GATE AVE.

WEBSTER

DATE: January 16, 2003  
108-01003-136

TO: Elaine Forbes  
Budget Analyst  
City and County of San Francisco

FROM: Albert J. Luis  
Senior Development Specialist  
Redevelopment Agency of the  
City and County of San Francisco ("Agency")

SUBJECT: Acquisition of the Muni Substation Site (the "Property")  
@ Fillmore and Turk Streets by the Agency  
Assessor's Block 0756, Lot1 (portion)  
1345 Turk Street / 1140 Fillmore Street

The Agency's detailed plans and activities after its acquisition of the Property, including the RFP process, and the timeline(s) involved, are outlined as follows:

A. After Agency acquisition of the Property, which will occur approximately two to three weeks after the Board of Supervisors' ("Board") approval of the sale / purchase transaction, the Agency will immediately enclose the Property with an 8-foot high, chain-link fence, together with a lockable gate which will be located on Turk Street. The existing windows of the brick substation building (which are easily accessible to trespassers) will be secured with strong metal screens or grates. The other windows and openings will be secured with less durable materials to keep pigeons and other birds out. The Property will then be cleared of all unsightly trash, weeds, and rubbish. Also, all trash within the interior of the substation building will be swept clean and bird droppings will be removed.

B. Thereafter, access to the Property will be available to Agency consultants and contractors to perform: (1) an ALTA survey; (2) work necessary for the filing of a parcel map (set corners / monuments, etc.); (3) studies on the proposed structural seismic retrofit of the substation building; and (4) a Phase Two soils/geotechnical testing if warranted by the outcome of the Phase One report that is currently underway.

C. The two-story wood frame building on the Muni parcel will be demolished in its entirety, since over half of it was destroyed by fire and is of no feasible use in its present condition. This demolition process will be advertised for bids, and bids received will be reviewed before the awarding of a contract in accordance with the Agency's procurement policies. The substation building will be retrofitted pursuant to the recommendation(s) of the studies mentioned above. This work will also be advertised in a manner similar to the demolition process and Agency practice.

D. A Request for Qualifications and/or Request for Proposals (the "RFQ/P") process for development of the Property will begin immediately after the Agency takes title to the

Property. The Agency intends to prepare and issue two separate RFQ/P documents for solicitation of proposals before awarding of exclusive negotiations with a qualified developer.

One RFQ/P will be issued for the Muni parcel, which will solicit a developer for affordable rental housing under the Agency's affordable housing program. With respect to the affordable housing program proposed for this parcel, the project would likely include family rental housing that would be affordable to households up to 50% of median income.

The other RFQ/P that will be issued will be for the adaptive reuse of the substation parcel. According to the Western Addition Area A-2 Redevelopment Plan, the permitted land use designation for this parcel is "Community Commercial Shopping". This land use designation includes cultural institutions. A complete list of permitted uses is shown in the Redevelopment Plan itself.

During the RFQ/P process, continued community review and advisory input will be accomplished through a series of community meetings. In addition, before Redevelopment Commission approval of the issuance of either the RFQ/P, draft documents will be sent to the S.F. Arts Commission (pursuant to the terms and provisions in the sales agreement between the City and the Agency) for its review and comment. After approval by the Redevelopment Commission, the RFQ/P will then be advertised and notices will be sent to prospective developers that are on the Agency's mailing lists. The ensuing process and estimated time to accomplish these activities will range from three to six months ( $\pm$ ) before selection of any developer(s).

The RFQ/Ps may be issued on a parallel course, but presentations to the Redevelopment Commission for approval, issuance of the RFQ/P to the public, and the selection of a developer for any exclusive negotiations could occur at different times. The total timeline for completion of the above due diligence activities before construction can begin on the Property is estimated to be one to two years after acquisition of the Property by the Agency.

In response to your second question, the source of the purchase price for the acquisition of this Property is from proceeds from tax-exempt bonds, secured by tax-increment funds. Therefore, pursuant to Section 33433, the Agency will be required to obtain the Board's approval for the disposition or long-term lease of the Property. The Agency intends to hold fee title to the Property and then ground lease the airspace for the construction of both the housing component and the adaptive reuse of the substation. As required by the Board, any ground lease agreements will require Board approval, after the initial disposition approval, consistent with the scope of the Board's review pursuant to Section 33433, in the event of the sale of the improvements to an entity not affiliated with the entity involved in the initial disposition.

Should you have any questions or comments, please advise.

c: Marcia Rosen, Joanne Sakai

## City and County of San Francisco

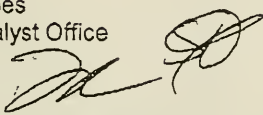
Real Estate Division  
Administrative Services Department

## MEMORANDUM

January 23, 2003

Via facsimile 252-0461

TO: Elaine Forbes  
Budget Analyst Office

FROM: Larry Ritter 

SUBJECT: Muni/Arts Commission  
Turk/Fillmore Property  
(R.E. Asslgn #5568)

The subject property is zoned NC-3 per City Planning's zoning map. The NC-3 zoning allows for a mixed-use commercial/residential development of 1 unit per 600 sq. ft. of lot area. This density is consistent with the Land Use Plan for the Western Addition Redevelopment Area, which takes precedence over the City Planning Code. I believe the highest and best use for development of the property would be a mixed-use commercial/residential project in accordance with the Redevelopment Land Use Plan.

The subject property could be developed with up to 55 units. The former Muni sub-station, however, is designated a City landmark. The building is a two story unreinforced brick masonry structure built in 1898. It occupies approximately 6,255 sq. ft. of the land area. This structure could be renovated for commercial/residential use as part of the overall project. Its rehabilitation and preservation costs, including substantial seismic retrofit costs, would have to be factored into the overall development cost. A 9/01 Seismic Evaluation Report prepared for the Redevelopment Agency estimated seismic retrofit costs at \$1.3 M. The subject property is also improved with a vacant 2-story wood frame building that can be demolished.

David Bohegian of Martorana & Bohegian & Company recently completed an appraisal of the S&C Ford property at 2001 Market near the sale at 1 Duboce Ave. His value for the site was \$85,000 per potential unit. It is Mr. Bohegian's opinion that the subject property's value would be \$40,000± per unit. Attached is a Summary of Comparable Land Sales obtained from Mr. Bohegian with transactions ranging from \$20,833 per unit to \$62,500 per unit. After review of the sales, I concur with Mr. Bohegian value of

\$40,000 per potential unit.

As stated earlier, the subject could potentially be developed with up to 55 units. At \$40,000 per unit its value would be \$2.2± M. However, I believe a deduction is necessary for the seismic retrofit cost of the historic structure in the amount of \$1.3 M. The net value of the site is therefore \$900,000±.

I:\users\LRitter\5568\Muni\ArtsCom\_memotoMM 2

Summary Of Comparable Land Sales

| No. Block-Lot | Address/<br>Block-Lot                                                                                                                                                                                                                                                                                                                                                                                                                                    | Sale<br>Date            | Sale<br>Price | Size<br>(Sq. Ft.) | Zoning/<br>Residential<br>Density | No. Units | Price/<br>Sq. Ft.<br>Land Area | Price/<br>Res./ L/W<br>Unit |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------|-------------------|-----------------------------------|-----------|--------------------------------|-----------------------------|
| 1             | 660-70 Turk Street, Btwn.<br>Polk Street & Van Ness Ave.<br>742-4                                                                                                                                                                                                                                                                                                                                                                                        | 2/02<br>(Escrow)        | \$ 2,700,000  | 8,888             | RC-4/ VNSUD/<br>1/115             | 77        | \$ 304                         | \$ 35,065                   |
|               | Property being combined w/ 6,650 sq. ft. lot on Van Ness Ave. for development of a 134-unit multi-family residential project. Site currently improved with a UMB structure of approx. 9,700 sq. ft., which will be demolished. Transaction was originally negotiated in February 2001 and is slated to close in April 2002. The price was negotiated downward by \$250,000 in November 2001. Proposed density is high and proposed units are very small. |                         |               |                   |                                   |           |                                |                             |
| 2             | 131-45 Taylor Street, Btwn.<br>Eddy & Turk Streets<br>399-2,18                                                                                                                                                                                                                                                                                                                                                                                           | 8/01                    | \$ 2,100,000  | 12,929            | RC-4/<br>1/200<br>(Approx.)       | 67        | \$ 162                         | \$ 31,343                   |
|               | Developer is proposing 67 affordable units w/ a unit mix of 14 studios; 14 one br/1ba units, 14 two br/2ba units and 25 three br/2ba units. The property is currently leased for \$10,500/ mo. on a mo.-mo. basis.                                                                                                                                                                                                                                       |                         |               |                   |                                   |           |                                |                             |
| 3             | 55 Page Street, @<br>Gough Street<br>854-7,8                                                                                                                                                                                                                                                                                                                                                                                                             | 4/01<br>(Failed Escrow) | \$ 8,000,000  | 25,821            | NC-3<br>1/200                     | 128       | \$ 310                         | \$ 62,500                   |
|               | Site was entitled for development w/ 128 residential units (including 13% BMR units), 12,000 sq. ft. of ground floor commercial space and subterranean parking. The price was established in December 2000. There were over 10 offers when the property was initially marketed. The property fell out of escrow in early 2001 and was reportedly placed back on the market.                                                                              |                         |               |                   |                                   |           |                                |                             |
| 4             | 566 So. Van Ness Ave.<br>Btwn. 16th & 17th Streets<br>3570-5                                                                                                                                                                                                                                                                                                                                                                                             | 3/01<br>(Listing Date)  | \$ 2,300,000  | 12,250            | C-M<br>1/200                      | 61        | \$ 188                         | \$ 37,705                   |
|               | Property did not sell and was withdrawn from the market.                                                                                                                                                                                                                                                                                                                                                                                                 |                         |               |                   |                                   |           |                                |                             |
| 5             | 519 Ellis Street/<br>430 Eddy Street, Btwn.<br>Leavenworth & Hyde Streets<br>334-28                                                                                                                                                                                                                                                                                                                                                                      | 3/01<br>(Listing Date)  | \$ 750,000    | 7,200             | RC-4<br>1/200                     | 36        | \$ 104                         | \$ 20,833                   |
|               | Property did not sell and was withdrawn from the market.                                                                                                                                                                                                                                                                                                                                                                                                 |                         |               |                   |                                   |           |                                |                             |

## Summary Of Comparable Land Sales

| Address/<br>No. Block-Lot                                        | Sale<br>Date                                                                                                                                                                                                                                                                                                                                           | Sale<br>Price                 | Size<br>(Sq. Ft.) | Zoning/<br>Residential<br>Density | No. Units | Price/<br>Sq. Ft.<br>Land Area | Price/<br>Res./ LW<br>Unit |
|------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------|-----------------------------------|-----------|--------------------------------|----------------------------|
| 6 821 Folsom Street<br>Btwn. 4th & 5th Streets                   | 2/01<br>(Agreement)<br><i>Indicated sales price represents contributory value of land to a partnership to develop the property. The agreement was executed in February 2001, but the terms were negotiated approximately 1.5 years prior. In addition to the purchase price, there was an estimated \$150,000 in demolition and remediation costs.</i> | \$ 3,650,000<br>(See Comment) | 28,890            | RSD<br>1/370                      | 78        | \$ 126                         | \$ 46,795                  |
| 7 421 Turk Street, Btwn.<br>Hyde & Leavenworth Streets<br>346-17 | 12/00                                                                                                                                                                                                                                                                                                                                                  | \$ 1,025,000                  | 6,187             | C-3-G<br>1/200                    | 30        | \$ 166                         | \$ 34,167                  |
| 8 163-81 Eddy Street,<br>Nr. Mason Street<br>340-16              | 9/00<br>(Listing Date)<br><i>Existing 24,000 sq. ft. bldg. provides ann. Inc. of \$288,000. Property did not sell and was w/ drawn from the market.</i>                                                                                                                                                                                                | \$ 2,950,000                  | 12,000            | RC-4<br>1/200                     | 60        | \$ 246                         | \$ 49,167                  |

SUBJECT SITE

344 14th St./ 1463 Stevenson St.  
No. Line 14th St. From  
Woodward to Stevenson Sts.  
3532-13,21

12/31/01  
(Date of  
Value)

C-M  
1/200

116

23,300

## Summary Of Comparable Land Sales

| Address/<br>Block-Lot                                                                                                                                                                                                                                                                                                                                                                                              | Sale<br>Date             | Sale<br>Price              | Size<br>(Sq. Ft.) | Zoning/<br>Residential<br>Density (1) | No. Units | Price/<br>Sq. Ft.<br>Land Area | Price/<br>Unit |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------|-------------------|---------------------------------------|-----------|--------------------------------|----------------|
| 949 Market Street, Btwn.<br>5th 7 6th Streets<br>3704-71                                                                                                                                                                                                                                                                                                                                                           | 12/01<br>(Failed Escrow) | \$ 10,000,000<br>(Approx.) | 23,374            | C-3-G<br>1/150                        | 152       | \$ 428                         | \$ 65,789      |
| Former St. Francis Theater. Developer (DWI Development, Inc.) proposed construction of a 12-story building w/ 152 residential units (including 10% BMR units) over 7,300 sq. ft. of commercial space and a subterranean parking garage. Developer, ultimately failed to close escrow due to deteriorating market conditions.                                                                                       |                          |                            |                   |                                       |           |                                |                |
| Clock Tower Site<br>1st Street @ Bay Bridge                                                                                                                                                                                                                                                                                                                                                                        | 11/01<br>(Listing)       | (See Comment)              |                   | Rincon Hill SUD/<br>1/111             | 300       | \$                             | \$ 50,000      |
| High-density residential site available for sale. Height limit being increased from 200 to 300'. Seller reports several offers received, which were concentrated around \$50,000/ unit, with the buyers proposing a development of approximately 300 units.                                                                                                                                                        |                          |                            |                   |                                       |           |                                |                |
| 301-55 First Street, @<br>SEC Folsom Street/<br>3748-32                                                                                                                                                                                                                                                                                                                                                            | 9/01                     | \$ 28,000,000              | 38,031            | RC-4<br>Rincon Hill SUD/<br>1/111     | 342       | \$ 736                         | \$ 81,871      |
| Approved at the time of sale for construction with 342 luxury condominium units over 10,000 sq. ft. of retail space with subterranean parking. Project will include one (20) story and one (26) story tower, connected by a common lobby, with a pool and health club. Price reportedly negotiated in May 2001 @ \$30,000,000 and subsequently reduced to \$28,000,000.                                            |                          |                            |                   |                                       |           |                                |                |
| 1529 Polk Street, &<br>California Street, Btwn.<br>Polk Street & Van Ness Ave./<br>643-3                                                                                                                                                                                                                                                                                                                           | 9/01                     | \$ 3,670,000               | 12,969            | Polk NCD/<br>1/400                    | 33        | \$ 283                         | \$ 111,212     |
| Property is a flag shaped lot w/ 25' of frontage on Polk Street and 75' of frontage on California Street. Buyer intends to demolish existing Theater and construct a 33-unit multi-family residential project over ground floor commercial space and subterranean parking. Property was reportedly in escrow for at least one year due to unresolved litigation between the seller and an adjacent property owner. |                          |                            |                   |                                       |           |                                |                |

Item 9 – 03-0014

**Department:** Municipal Railway (MUNI)

**Item:** Resolution approving an agreement for FY 2001-2002 and FY 2002-2003 between the City and County of San Francisco and the Bay Area Rapid Transit District (BART) authorizing payment by BART to the San Francisco Municipal Railway for BART patrons who utilize MUNI for linking up with BART.

**Amount:** \$5,222,832

**Description:** The proposed resolution would approve an agreement between the City and BART for BART to reimburse MUNI \$5,222,832 for two years consisting of \$2,746,668 for FY 2001-2002, and \$2,476,164 for FY 2002-2003. BART makes this payment to MUNI to compensate MUNI for the BART patrons who use MUNI for the purposes of linking up with BART. This BART payment of \$2,746,668 for FY 2001-2002 to be paid to MUNI is \$297,197 more than the BART payment of \$2,449,471 made to MUNI for FY 2000-2001. Further, this BART payment of \$2,476,164 for FY 2002-2003 to be paid to MUNI is \$270,504 less than the BART payment of \$2,746,668 made to MUNI for FY 2001-2002. According to Ms. Ann Carey of MUNI, these BART payments to MUNI accrue to MUNI's operating fund.

According to Ms. Carey, the proposed payments by BART to the City are mandated by the Metropolitan Transportation Commission (MTC). Attachment I, provided by Ms. Carey, explains the basis of the payments to be made by BART to MUNI for FY 2001-2002 and FY 2002-2003.

**Comments:** 1. Ms. Carey advises that BART has made annual payments to MUNI under agreements similar to the proposed Agreement since FY 1986-1987. Attachment II, provided by MUNI, contains a schedule of such annual payments made to MUNI by BART since FY 1990-1991.

2. According to Mr. Robert Bryan of the City Attorney's Office, the proposed Agreement and previous similar agreements require approval by the Board of Supervisors

because they are revenue generating contracts in excess of \$1,000,000 annually as required by Charter Section 9.118(c). The last such approval was obtained for FY 1999-2000 (File 00-0855), approved by the Board of Supervisors in July of 2000. According to Ms. Carey, the MUNI did not obtain Board of Supervisors approval for the agreement for FY 2000-2001 in the amount of \$2,449,471, for the reason explained in Attachment III.

3. Ms. Carey states that MUNI and BART have recently completed negotiation of a number of interagency agreements including the proposed transfer payment, fast pass use on BART and capital cost reimbursements under the Joint Station Maintenance Agreement. As a result, Ms. Carey reports that MUNI and BART determined that it would be expeditious to combine the proposed subject FY 2001-2002 and FY 2002-2003 BART payments to MUNI into one agreement. According to Ms. Carey, although MUNI has not yet accepted the subject BART FY 2001-2002 payment of \$2,746,668, or the FY 2002-2003 payment of \$2,476,164, MUNI has included such payments in its FY 2001-2002 and FY 2002-2003 budgets.

4. Ms. Carey reports that 1) the proposed FY 2001-2002 payment by BART to MUNI of \$2,746,668 is \$308,668 more than the \$2,438,000 amount included in MUNI's FY 2001-2002 budget, and 2) the proposed FY 2002-2003 payment by BART to MUNI of \$2,476,164 is \$26,164 more than the \$2,450,000 amount included in MUNI's FY 2002-2003 budget. According to Ms. Gigi Harrington of MUNI, this total surplus revenue of \$334,832, consisting of \$308,668 in FY 2001-2002 and \$26,164 in FY 2002-2003, would be used to pay for future MUNI operating expenses.

5. The proposed Agreement contains a mutual indemnification provision which states that the City and BART agree to indemnify, save harmless and defend each other, each other's officers, agents and employees from legal liability of any nature or kind on account of any claim for damages to property or personal injuries to or death of person or persons to the extent that any such

claims are caused by or result from, and in proportion to, the negligent acts or omissions or willful misconduct of the indemnifying party, its directors, officers and employees, unless such claims arise out of the sole negligence or willful misconduct of the party seeking indemnification or its directors, officers, agents and employees.

According to Mr. Errol Fitzpatrick, the City's Risk Manager, the additional risks to the City as a result of the mutual indemnification provision contained in the proposed Agreement are negligible, and Mr. Fitzpatrick has recommended approval of the mutual indemnification provision.

**Recommendation:** Approve the proposed resolution.



## SAN FRANCISCO MUNICIPAL RAILWAY

FINANCE & ADMINISTRATION DIVISION – 875 Stevenson Street, Room 260, S.F., CA 94103  
Telephone (415) 554-7941 Fax (415) 554-7606



## MEMORANDUM

Date: January 15, 2003  
To: Harvey Rose, Budget Analyst  
From: Ann Carey  
Subject: Calculation of Muni/BART Transfer Payment Amounts

Per your request, this memorandum provides an explanation of how the annual payment under the Muni/BART transfer agreement is calculated. The requirement for establishing the transfer payments between Muni and BART was determined within the context of the Regional Financial Plan. Under the Regional Financial Plan, each year's payment amount is based on the change in BART sales tax revenue in the previous two years. Specifically, the FY2002 payment amount is the FY2001 payment amount adjusted by the percentage change in BART sales tax revenue for the two years prior to FY2002 (i.e., the percentage change between FY2000 and FY2001). The FY2003 payment amount will be the FY2002 payment amount adjusted by the percentage change in BART sales tax revenue for the two years prior to FY2003 (i.e., the percentage change between FY2001 and FY2002).

BART sales tax revenues for FY2001 were 12.133% higher than FY2000 sales tax revenues. Therefore, the FY2001 payment amount of \$2,449,471 will be increased by 12.133% and the FY2002 payment will be \$2,746,668. BART sales tax revenues for FY2002 were 9.848% lower than FY2001 sales tax revenues. Therefore, the FY2002 payment amount of \$2,746,668 will be decreased by 9.848% and the FY2003 payment will be \$2,476,164.

If you have any questions concerning these calculations, please let me know.

cc: Anne Richman, MTA Executive Director's Office

## TRANSFER PAYMENT HISTORY

Muni Transfer Payment History/  
Calculation

| Sales Tax<br>Receipt FY | Sales<br>Tax Rev | Sales Tax<br>Net Change % | PMT Amount<br>Net Change \$ | PMT<br>FY | MUNI      | Date Paid |
|-------------------------|------------------|---------------------------|-----------------------------|-----------|-----------|-----------|
| 1991                    | 108,959,895      |                           |                             |           | 1,537,600 |           |
| 1992                    | 105,492,711      | -3.182%                   |                             | 1992      | 1,562,100 |           |
| 1993                    | 107,889,634      | 2.272%                    |                             | 1993      | 1,511,900 |           |
| 1994                    | 109,834,021      | 1.802%                    | 34,352                      | 1994      | 1,546,252 |           |
| 1995                    | 115,186,021      | 4.873%                    | 27,867                      | 1995      | 1,574,119 |           |
| 1996                    | 126,077,200      | 9.455%                    | 76,704                      | 1996      | 1,650,823 |           |
| 1997                    | 134,983,961      | 7.065%                    | 156,090                     | 1997      | 1,806,913 | 09/01/99  |
| 1998                    | 144,190,692      | 6.821%                    | 127,650                     | 1998      | 1,934,563 | 04/19/00  |
| 1999                    | 151,805,599      | 5.281%                    | 131,949                     | 1999      | 2,066,513 | 09/18/00  |
| 2000                    | 170,911,394      | 12.586%                   | 109,135                     | 2000      | 2,175,648 | 08/22/01  |
| 2001                    | 191,648,289      | 12.133%                   | 273,820                     | 2001      | 2,449,471 |           |
| 2002                    | 172,773,943      | -9.848%                   | 297,197                     | 2002      | 2,746,668 | tbd       |
|                         |                  |                           | (270,504)                   | 2003      | 2,476,164 |           |

Attachment II



## SAN FRANCISCO MUNICIPAL RAILWAY

FINANCE & ADMINISTRATION DIVISION - 875 Stevenson Street, Room 260, S.F., CA 94103  
Telephone (415) 554-7941 Fax (415) 554-7606



## MEMORANDUM

Date: January 15, 2003  
To: Harvey Rose, Budget Analyst  
From: Gigi Harrington, Deputy Director for Finance and Administration  
Subject: Muni/BART Transfer Payment Agreement

The Municipal Transportation Agency has submitted an agreement between the city and the Bay Area Rapid Transit District (BART) for payment to Muni for feeder service for FY2001-2002 and FY2002-2003. The previous year's agreement for FY2000-2001 in the amount of \$2,449,471 was approved by the Municipal Transportation Agency on May 1, 2001 (by MTA resolution number 01-050) and executed by BART and the MTA.

At that time, the MTA was moving to a new governance structure under Proposition E. We were advised by the city attorney's office that the Muni/BART transfer payment agreement for FY2000-2001 did not require Board of Supervisors approval. Subsequently, when we were preparing the agreement for FY2001-2002 and FY2002-2003, the city attorney's office determined that the contract does require Board of Supervisors approval, as it exceeds \$1 million. Therefore, we are submitting the transfer payment agreement for FY2001-2002 and FY2002-2003 for the Board's approval.

cc: Anne Richman, MTA Executive Director's Office

Attachments: FY2000-2001 Agreement  
MTA Resolution No. 01-050

Items 10 and 11 - Files 02-1573 and 03-0024

Department: Public Utilities Commission (PUC)

Items: File 02-1573: Resolution authorizing the Public Utilities Commission to extend Contract Year 2 of its Program Management Services Contract CS-524 by three months, from September 22, 2002 to December 21, 2002. The estimated cost of this three month extension is \$4,614,696 to be funded from the existing FY 2001-2002 appropriation not to exceed \$14,000,000 for Contract Year 2 (see "Amount and Source of Funds" below).

File 03-0024: Resolution approving Public Utilities Commission's continuation of Agreement No. CS-524, Program Management Services, with the Water Infrastructure Partners for a third year, from December 22, 2002 to December 21, 2003.

Amount and Source  
of Funds:

File 02-1573: No additional funds are required for the proposed three month extension because the existing FY 2001-2002 appropriation for Contract Year 2 of this contract, in the amount not to exceed \$14,000,000, had surplus funds in the amount of \$5,009,852 as of September 21, 2002, according to Mr. Surinderjeet Bajwa of the PUC. The PUC has encumbered \$4,614,696 of these surplus funds during the proposed three month extension.

File 03-0024: \$12,000,000 for Contract Year 3, from December 22, 2002 to December 21, 2003. Of this amount:

- \$6,000,000 for the Contractor's Program Management Organization (PMO)<sup>1</sup> will be funded from unappropriated funds from the Water Enterprise, the Clean Water Enterprise, and Hetch Hetchy.<sup>2</sup>

---

<sup>1</sup> The Program Management Office (PMO) task addresses (a) Capital Improvement Program implementation, (b) PUC staff training, and (c) management and administrative services common to the entire program.

<sup>2</sup> In Contract Year 3, the Water Enterprise, the Clean Water Enterprise, and Hetch Hetchy will also fund the \$1,000,000 cost to the PUC of existing PUC staff managing the subject contract (see Table 2 for a budget breakdown of this amount). Therefore, in Contract Year 3 the Water Enterprise, the Clean Water Enterprise, and Hetch Hetchy will fund a total of \$7,000,000 in costs associated with

- \$6,000,000 for project management contract services (PMC)<sup>3</sup> will be allocated from capital improvement project budgets and Proposition A Water Revenue Bond proceeds, according to Mr. Carlos Jacobo of the PUC. Mr. Jacobo and Mr. Bajwa advise that the planning and design components of ongoing projects are being funded by a variety of revenue sources, including Water Enterprise revenues and 1997 Water Revenue Bond proceeds, and that the construction components of ongoing projects will be funded by Proposition A Water Revenue Bond proceeds which are to be the subject of a proposed supplemental appropriation request. This supplemental appropriation request will seek 18 months of funding for construction costs and PUC personnel costs (see Comment No. 19) and will be submitted to the Board of Supervisors in March of 2003, for appropriation by July 1, 2003.

**Description:**

On August 28, 2000, the Board of Supervisors approved a four-year contract between the PUC and the San Francisco Water Alliance for the San Francisco Water Alliance to provide program management services for the PUC's \$4.6 billion Capital Improvement Program (Board Resolution 754-00). The four-year contract, in an amount not to exceed \$45,000,000, is subject to annual Board of Supervisors approval. On June 17, 2002, during Contract Year 2 (September 22, 2001 through September 21, 2002), the Board of Supervisors approved the assignment of the subject contract from the San Francisco Water Alliance to Water Infrastructure Partners, a joint venture consisting of Jacobs Civil, Inc. and Primus Industries, Inc. (Board Resolution 98-02).

**File 02-1573:** This proposed resolution would authorize the extension of Contract Year 2 by three months, from September 22, 2002 through December 21, 2002, at an

---

Contract Year 3 (\$6,000,000 for the Contractor's PMO and \$1,000,000 for PUC personnel costs). This \$7,000,000 is the subject of a FY 2002-2003 supplemental budget request which the PUC submitted to the Mayor and the Board of Supervisors on January 7, 2003.

<sup>3</sup> Project Management Contract Services (PMC) represents specific Contractor work on the capital improvement projects which the Contractor performs once it has received specific task orders from the PUC. PMC work includes (a) the alternative analysis performed on each project, (b) construction support, (c) support for the development of the Clean Water Master Plan, and (d) specific projects such as the Reliability Study project and the Crystal Springs Bypass Tunnel project.

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

estimated cost of \$4,614,696. However, no additional funds are required because the \$14,000,000 for Contract Year 2, previously approved by the Board of Supervisors in the PUC's FY 2001-2002 budget, had unexpended funds in the amount of \$5,009,852 as of September 21, 2002. These unexpended funds are being used to fund the proposed three month extension of Contract Year 2 of the Program Management Services contract since September 22, 2002. Attachment I is a memorandum, provided by Mr. Bajwa, explaining the need for this three month extension. In summary, Mr. Bajwa states that the three month extension is needed because between June and August of 2002, when the contract was reassigned from the San Francisco Water Alliance to the Water Infrastructure Partners, only essential work, and not the full Contract Year 2 work plan, was performed.

File 03-0024: This proposed resolution would authorize Contract Year 3 (December 22, 2002 through December 21, 2003) at a total cost not to exceed \$13,000,000, including (a) \$12,000,000 for the Water Infrastructure Partners contract, and (b) \$1,000,000 for the cost to the PUC of managing the contract with existing PUC personnel.

**Budget:**

File 02-1573: A budget, actual expenditures, and encumbrances for Contract Years 1 and 2 are shown in Table 1 below. Expenditures totaling \$4,614,696 have been incurred during the proposed three month extension period of September 22, 2002 through December 21, 2002.

Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting

Table 1: Contract Years 1 and 2 Budget and Expenditures

|                                                                       | <u>Budget</u>    | <u>Expenditures<br/>and<br/>Encumbrances<br/>as of Sept 21,<br/>2002</u> | <u>Expenditure<br/>Incurred<br/>During<br/>Proposed<br/>Three Month<br/>Contract<br/>Extension<br/>(Sept 22, 2002<br/>to Dec 21,<br/>2002)</u> | <u>Projected<br/>Total<br/>Expenditures<br/>for Contract<br/>Years 1 and 2</u> |
|-----------------------------------------------------------------------|------------------|--------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <u>Contract Year 1 (September<br/>22, 2001 to September 21, 2002)</u> |                  |                                                                          |                                                                                                                                                |                                                                                |
| Program Management Office<br>(PMO)                                    | \$4,100,000      | \$4,130,127                                                              | -                                                                                                                                              | \$4,130,127                                                                    |
| Project Management Contract<br>Services (PMC)                         | <u>3,900,000</u> | <u>3,817,297</u>                                                         | -                                                                                                                                              | <u>3,817,297</u>                                                               |
| <i>Subtotal:</i>                                                      | \$8,000,000 *    | \$7,947,424                                                              | -                                                                                                                                              | \$7,947,424                                                                    |
| <u>Contract Year 2 (September<br/>22, 2002 to September 21, 2003)</u> |                  |                                                                          |                                                                                                                                                |                                                                                |
| Program Management Office<br>(PMO)                                    | \$6,000,000      | \$5,415,485                                                              | \$512,762                                                                                                                                      | \$5,928,247                                                                    |
| Project Management Contract<br>Services (PMC)                         | <u>8,000,000</u> | <u>3,574,663</u>                                                         | <u>4,101,934</u>                                                                                                                               | <u>7,676,597</u>                                                               |
| <i>Subtotal:</i>                                                      | \$14,000,000 *   | \$8,990,148                                                              | \$4,614,696                                                                                                                                    | \$13,604,844                                                                   |
| Totals:                                                               | \$22,000,000 *   | \$16,937,572                                                             | \$4,614,696                                                                                                                                    | \$21,552,268                                                                   |
| Total projected<br>underexpenditure:                                  |                  |                                                                          |                                                                                                                                                | (\$447,732)                                                                    |

\* Funding for Contract Year 1 is not to exceed \$8,000,000; funding for Contract Year 2 is not to exceed \$14,000,000; therefore, funding for Contract Years 1 and 2 are not to exceed \$22,000,000 in total.

File 03-0024: During Contract Year 3, from December 22, 2002 to December 21, 2003, the PUC proposes to expend (a) an amount not to exceed \$12,000,000 under the contract with Water Infrastructure Partners, and (b) \$1,000,000 on managing the subject contract with existing PUC personnel, as shown in Table 2 below. Mr. Bajwa advises that no Contract Year 3 funds have been expended.

**Table 2: Contract Year 3 Budget**

| Task Order<br>No. 70-3,<br>Subtask                   |  | Proposed Contract Year 3 Expenditures<br>(December 22, 2002 – December 21, 2003)                 | Estimated<br>Amount | Total               |
|------------------------------------------------------|--|--------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Order No:                                            |  |                                                                                                  |                     |                     |
| <b>Water Infrastructure Partners</b>                 |  |                                                                                                  |                     |                     |
| <b>Program Management Office (PMO)</b>               |  |                                                                                                  |                     |                     |
| 1                                                    |  | Contract oversight and administration                                                            | \$900,000           |                     |
| 2                                                    |  | Work plan development                                                                            | 150,000             |                     |
| 3                                                    |  | Staff and organization development (to July 1, 2003)                                             | 150,000             |                     |
| 4                                                    |  | Capital Improvement Program and environmental planning                                           | 1,000,000           |                     |
| 5                                                    |  | Communications and public information                                                            | 400,000             |                     |
| 6                                                    |  | Diversity program support (to June 1, 2003)                                                      | 100,000             |                     |
| 7                                                    |  | Program controls and reporting                                                                   | 1,550,000           |                     |
| 8                                                    |  | Cost estimating database                                                                         | 200,000             |                     |
| 9                                                    |  | Engineering practices                                                                            | 200,000             |                     |
| 10                                                   |  | Records management                                                                               | 200,000             |                     |
| 11                                                   |  | Graphic design and audio/visual support (to June 1, 2003)                                        | 50,000              |                     |
| 12                                                   |  | Quality assurance and quality control planning                                                   | 200,000             |                     |
| 13                                                   |  | Construction management plan                                                                     | 300,000             |                     |
|                                                      |  | Program management reserve (10 percent)                                                          | <u>600,000</u>      |                     |
|                                                      |  | <i>Subtotal:</i>                                                                                 |                     | \$6,000,000         |
| <b>Water Infrastructure Partners</b>                 |  |                                                                                                  |                     |                     |
| <b>Project Management Contract Services (PMC)</b>    |  |                                                                                                  |                     |                     |
|                                                      |  | Specific capital improvement project-related work (as detailed in Attachment VIII <sup>4</sup> ) | <u>\$6,000,000</u>  |                     |
|                                                      |  | <i>Subtotal:</i>                                                                                 |                     | <u>6,000,000</u>    |
|                                                      |  | <b>TOTAL CONTRACT COST:</b>                                                                      |                     | <b>\$12,000,000</b> |
| <b>The costs to the PUC of managing the contract</b> |  |                                                                                                  |                     |                     |
|                                                      |  | 1.5 FTE = 2,000 hours @ \$100/hour                                                               | \$200,000           |                     |
|                                                      |  | Two part-time staff = 1,500 hours @ \$100/hour                                                   | 150,000             |                     |
|                                                      |  | Audit                                                                                            | 100,000             |                     |
|                                                      |  | Supplies                                                                                         | 100,000             |                     |
|                                                      |  | Furniture and computers                                                                          | 75,000              |                     |
|                                                      |  | Printers, fax machines, reproduction costs                                                       | 75,000              |                     |
|                                                      |  | Insurance                                                                                        | <u>300,000</u>      |                     |
|                                                      |  | <i>Subtotal:</i>                                                                                 |                     | <u>1,000,000</u>    |
|                                                      |  | <b>TOTAL:</b>                                                                                    |                     | <b>\$13,000,000</b> |

<sup>4</sup> The PUC estimates Capital Improvement Program planning, predesign, and support work in the amount of \$11,260,216, of which the Contractor would perform half (\$5,630,108). The PUC is planning on the Contractor performing an additional \$369,892 worth of work developing further PMC task orders, for a total estimated cost of \$6,000,000.

Each of the PMO scope of work activities, and the specified deadline dates for each work activity deliverable, are listed in Attachment II, provided by the PUC.

Attachment III is a memorandum provided by the PUC which describes the general approach being followed by the PUC to implement the Capital Improvement Program Execution Plan.

Comments: Contract Year 2 Expenditures and Estimated Savings

1. As shown in Table 1, the PUC's expenditures and encumbrances as of September 21, 2002 on the subject contract totaled \$16,937,572 for Contract Years 1 and 2. An additional \$4,614,696 from the Contract Year 2 spending authorization has been encumbered during the proposed three month extension of the contract. Therefore, as shown in Table 1 above, the total projected expenditures for Contract Years 1 and 2 are \$21,552,268. Based on the total Contract Years 1 and 2 budgets in an amount not to exceed \$22,000,000, the PUC estimates that it has underspent a total of \$447,732 for Contract Years 1 and 2, or approximately 2 percent less than budgeted, as of December 21, 2002, the end of the proposed three month extension to Contract Year 2. Mr. Bajwa advises that since December 22, 2002 to date, the PUC has incurred expenditures of an estimated additional \$419,366 of Contract Year 2 funds, but has not expended or encumbered any Contract Year 3 funds.

2. Mr. Bajwa advises that since the work has not yet begun on capital improvement project construction, the PUC has not documented any savings realized by the City as a result of the contract with Water Infrastructure Partners, despite the expenditures and encumbrances totaling \$21,552,268 on the subject contract since September 22, 2001. However, as stated in the section on "Savings" in Attachment I, the PUC reports that there will be "Estimated Potential Savings" of approximately \$108.1 million.

The Budget Analyst considers such "Estimated Potential Savings" to be totally speculative at this time.

### Contract Year 2 Performance

3. Section 4A of the subject contract requires the PUC to submit to the Board of Supervisors an annual report on the Contractor's performance over the preceding 12 months by the September 21 contract anniversary date each year. Mr. Bajwa states that the PUC issued an annual report on the extended Contract Year 2 to the Board of Supervisors on January 9, 2003.

4. Attachment IV, provided by the PUC, summarizes the Contractor's performance for both Contract Year 2, Part 1, when the Contractor was the San Francisco Water Alliance, and Contract Year 2, Part 2, when the Contractor was the Water Infrastructure Partners. This report does not reference the 57 key performance measures (performance goals) outlined in the *Performance Measurement Criteria Year Two* proposed by the PUC on September 17, 2001, and appended to the Budget Analyst's October 31, 2001 report to the Finance Committee (Files 01-1563 and 01-1735). These 57 performance goals were to be the basis of the performance fees payable to the Contractor. According to Mr. Bajwa, a narrower range of performance measures were used instead for Contract Year 2.

### Contract Year 3

5. As previously noted, the Contract Year 3 scope of work activities is shown in Attachment II. The Budget Analyst notes that work activity No. 2, "Develop scope of services, cost estimates, and contract deliverables for ongoing PM/CM task orders," requires the Contractor to do this work for up to 35 Capital Improvement Program projects and five clean water projects<sup>5</sup>, a total of 40 projects.

6. As shown in Table 2 above, the proposed Contract Year 3 budget includes a 10 percent program management reserve, in the amount of \$600,000.

---

<sup>5</sup> While the Clean Water Capital Improvement Program will be a separate capital improvement program in its own right, the Contractor will be involved in five program planning and development projects of the Clean Water Capital Improvement Program.

According to Mr. Bajwa, this proposed program management reserve would permit the PUC to:

- Allocate additional reserved funds for work activities Nos. 3, 6, and 11 listed in Attachment II so that the Contractor can continue those activities until the end of Contract Year 3 if the PUC deems continuation of those activities to be necessary.
- Request the Contractor to perform any additional tasks which are identified during the course of Contract Year 3.
- Ensure a smooth transition between Contract Years 3 and 4 while the approval process for the continuation of the contract is under consideration. Transition funding would prevent the Contractor from needing to demobilize staff due to shortage of funds at the end of Contract Year 3.

The Finance Committee may wish to consider placing the program management reserve amount of \$600,000 (see Table 2 above) on reserve, so that such expenditures are subject to Finance Committee approval.

7. A comparison of Contract Year 2 and 3 short-term and long-term performance measures is shown in Attachment V, provided by the PUC.

Short-term Key Performance Measures

- The PUC has revised short-term Key Performance Measure No. 4 from supporting PUC management and the Joint Union/City Committee to developing and implementing a Project Planning Implementation Plan for each Capital Improvement Program project. According to Mr. Bajwa, the Contractor is continuing to provide support for the Joint Union/City Committee under the management of PUC staff. The development of a Project Planning Implementation Plan is a key function needed to complete the Capital Improvement Program. The Budget Analyst concurs with the new focus of this short-term key performance measure.
- There is an additional short-term key performance measure which requires the Contractor to develop

“performance metrics criteria and methodology,” which are newly developed procedures and project controls designed to optimize performance. The Budget Analyst concurs with the addition of this new short-term key performance measure.

Long-term Key Performance Measures

- The PUC has revised the goal of long-term Key Performance Measure No. 2 from completing project designs on schedule to implementing a quality assurance and quality control program. Mr. Bajwa states that long-term Key Performance Measure No. 2 is unrelated to the Contractor's scope of work because the PUC is responsible for design work, not the Contractor. While the Budget Analyst questions why long-term Key Performance Measure No. 2's focus on project designs was deemed relevant for the first two years of the contract, but is now no longer considered relevant at a time when the Capital Improvement Program has finally secured funding and design work is to begin in earnest, the Budget Analyst concurs with the revised key performance measure's focus on providing more information about Contractor delivery beyond just time and cost performance measures. Under this revised key performance measure, the PUC will also be focusing on the quality of the work delivered.
- The PUC has revised the goal of long-term Key Performance Measure No. 3 from completing construction contracts on schedule to implementing the Capital Improvement Program. The Budget Analyst concurs with this change because the revised key performance measure accounts for timeframes by being linked to the Capital Improvement Program plan which contains the deadline dates for each construction project. Mr. Bajwa advises that the construction contract schedules will be monitored by the new PUC Program Controls Group comprised of PUC and Contractor staff, in accordance with the Capital Improvement Program Plan which includes dates mandated by the State Legislature. The Program Controls Group, which will be responsible for the new Capital Improvement Program Management

Information System's quality reports, and for the newly established PUC Cost Estimating and the PUC Scheduling Groups, will report to PUC management.

- The PUC has revised the goal of long-term Key Performance Measure No. 5 from closing out construction contracts within six months of substantial completion to establishing performance criteria for "design performance metrics," which are newly developed procedures and project control tools to optimize design performance. Mr. Bajwa advises that the prior long-term Key Performance Measure No. 5 has been accomplished through the Contractor's development of a tracking system for close-out procedures which is now operated by the PUC as a standardized procedure. The Budget Analyst concurs with the development of additional performance criteria under the new long-term Key Performance Measure No. 5.
- The PUC has broadened the goal of long-term Key Performance Measure No. 6 from ensuring the accuracy of engineers' estimates within plus or minus 10 percent, to establishing the new Capital Improvement Program Management Information System. The Budget Analyst concurs with this broadened performance measure which continues to contain a specific goal of ensuring the accuracy of engineers' estimates within plus or minus 10 percent.
- The PUC has deleted the former Key Performance Measure No. 7 related to managing the Capital Improvement Program's expenditure progress because expenditure reports and cash flow projections are components of the new Capital Improvement Program Management Information System which will generate weekly and monthly reports for PUC management. The Budget Analyst concurs that expenditure monitoring must be a core component of any new Capital Improvement Program Management Information System.

### Independent Reviews

8. Since the Board of Supervisors approved the contract with Water Infrastructure Partners on June 17, 2002, no new external audits of the Contractor's performance have

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

been performed. However, according to Mr. Noriaki Hirasuna of the Controller's Office, the Controller's Office is currently conducting a close-out audit of the PUC's contract with the San Francisco Water Alliance, reviewing invoices for services rendered as of June 30, 2002. Mr. Hirasuna advises that the purpose of this audit is to (a) determine if the San Francisco Water Alliance's requests for payments were properly supported and did not exceed budgeted amounts, and (b) review payroll costs to determine if the labor rates and other direct charges billed by the San Francisco Water Alliance were in accordance with the contract. Ms. Carmen LeFranc of the Controller's Office anticipates completing the audit by February 7, 2003. The Contract Year 2 performance of the Water Infrastructure Partners will be the focus of the next Controller's Office audit, due to commence on February 24, 2003. In order to permit sufficient time for all Contract Year 2 invoices to be received during March of 2003, four weeks of audit work, plus two weeks for the PUC and the Contractor to respond to the draft audit report, the Budget Analyst recommends that this audit of the Water Infrastructure Partners' Contract Year 2 performance be submitted to the Board of Supervisors no later than May 9, 2003. Mr. Hirasuna and Ms. LeFranc concur with this date.

9. A total of ten PUC project managers evaluated Contractor work on the 11 task orders issued by the PUC during Contract Year 2, Part 1 (Task Orders No. 41 to 52), when the San Francisco Water Alliance was the Contractor. PUC project manager evaluations are one of the determinants for the amount of performance fees payable to the Contractor. The ten PUC project managers scored the Contractor's overall performance as 2.81 points out of a potential maximum score of 3.00 points. Attachment VI, provided by the PUC, is a summary of the evaluation results. In Attachment I, Mr Bajwa summarizes those task orders which were evaluated as needing improvement (see the section on "SFPUC Assessment of 11 Task Orders Performed by the Contractor between September of 2001 and March of 2002" in Attachment I).

10. Attachment VI also contains the evaluation results completed to date for Contract Year 2, Part 2 (Task Orders No. 54 to 62), when Water Infrastructure Partners was the Contractor. Many tasks are still in progress. The performance measurement scale used for Contract Year 2, Part 2 has a maximum score of 5.00 points. In Attachment I, Mr. Bajwa summarizes those task orders which were evaluated as needing improvement (see the section on "SFPUC Assessment of 14 Task Orders Performed by the Contractor between June of 2002 and December of 2002" in Attachment I).

#### Performance Fees

11. Appendix D of the subject contract specifies an 8 percent fixed fee and no performance fee for Contract Year 1; a 7 percent fixed fee and a 4.5 percent performance fee for Contract Year 2; a 6 percent fixed fee and a 5.5 percent performance fee for Contract Year 3; and a 5 percent fixed fee and 6.5 percent performance fee for Contract Year 4. As stated in Attachment I, based on the maximum Contract Year 2 amount of \$14,000,000, the Contractor could be paid performance fees in the amount of up to \$630,000 (4.5 percent of \$14,000,000). In Attachment I, Mr. Bajwa states, "However, the Contractor will not receive the full performance fee of \$630,000 because it has not received maximum scores for all components of its task order evaluations, as assessed by SFPUC project managers." Mr. Bajwa advises that, as of June 28, 2002, the Contractor has already been paid \$130,113 by the PUC in performance fees for Contract Year 2, or approximately 2.38 percent of the \$5,474,069 in Contract Year 2 billings as of June 28, 2002. The next performance fee payment, in the estimated amount of \$161,143, is scheduled to be paid by the PUC to the Contractor in February or March of 2003. Therefore, the total estimated Contract Year 2 performance fee amount is \$291,256.

12. Under the subject contract, the payment of performance fees does not require Board of Supervisors approval. However, under Board of Supervisors Resolution 868-01 (November 16, 2001), shown in Attachment VII, the Board of Supervisors urged the PUC

to amend the subject contract so that payment of performance fees<sup>6</sup> to the Contractor would be subject to both PUC and Board of Supervisors approval. For the reasons stated in the "Performance Fees" section of Attachment I, Mr. Bajwa advises that the \$130,113 in Contract Year 2 performance fees were paid to the Contractor without prior PUC or Board of Supervisor approval. Mr. Bajwa states that "The previous Contractor, as the other party to the subject contract, did not agree with changes to the process for determining the payment of performance fees." Therefore, Board of Supervisors Resolution 868-01 was not implemented.

13. The Budget Analyst recommends that the proposed resolution be amended to require that all future performance fee payments be subject to Board of Supervisors approval, consistent with Board of Supervisors Resolution 868-01. As stated in the "Performance Fees" section of Attachment I, in response to the Budget Analyst's recommendation, Mr. Bajwa advises that the PUC will submit by April 11, 2003 an amended contract to the Board of Supervisors which will require that all future performance fees are subject to Board of Supervisors approval.

14. Currently, the PUC bases its decision about the size of the performance fees payable to the Contractor on PUC project managers' evaluations of the Contractor's performance against task orders. If the PUC used independent private consultants, rather than PUC project managers, to perform such evaluations in Contract Year 3, Mr. Bajwa advises that it could cost the PUC up to \$300,000 as follows:

- \$50,000 for the Request for Proposals and selection process, and for PUC staff time spent managing the independent evaluators.
- \$250,000 for private consultants, assuming a panel of three experts performing two sets of evaluation reviews per year.

15. The maximum Contract Year 3 performance fee available to the Contractor is \$660,000 (due to the 5.5

---

<sup>6</sup> Performance fees are referred to as "incentive fees" in Board of Supervisors Resolution No. 868-01.

percent performance fee cap on the not to exceed Contract Year 3 amount of \$12,000,000), or more than double the PUC's estimated cost of \$300,000 for retaining private consultants. Therefore, given the significant cost of the subject contract, the Budget Analyst recommends that future evaluations of the work performed by the Contractor be undertaken by experts from outside the PUC, rather than by PUC project managers, in order to ensure impartial evaluations.

### PUC Personnel

16. The Utilities Engineering Bureau (UEB) of the PUC has total approved staffing of 240 positions, of which 51, or approximately 21.3 percent, are vacant as at January 7, 2003. This compares with a October 31, 2001 UEB vacancy rate of approximately 29.2 percent (70 vacant positions out of 240 approved positions). Therefore, the total number of vacancies has decreased in the intervening year, with a net gain of 19 UEB staff. According to Ms. Therese Madden of the PUC, the 51 positions which are presently vacant include:

- 29 of the 140 approved UEB engineering positions (approximately 20.7 percent).
- Two of the two approved UEB architect positions (100 percent).
- Two of the ten approved UEB program manager positions (20 percent).
- Ten of the 52 other approved technical positions in the UEB (approximately 19.2 percent).
- Seven of the 36 other approved non-technical positions in the UEB (approximately 19.4 percent).
- One senior management position (the Assistant General Manager of Infrastructure).

17. The PUC appointed a Capital Improvement Program Manager in August of 2001, and an Acting Assistant General Manager of Infrastructure on July 1, 2002. According to Ms. Madden, the PUC anticipates hiring a permanent Assistant General Manager of Infrastructure in the near future.

18. The FY 2002-2003 PUC budget authorized 18 new positions for the Capital Improvement Program, in addition to the 240 positions listed in Comment No. 16 above, of which 12 are technical or managerial positions. To date, 11 of the 18 positions have been filled, including two key management positions. The seven vacancies are comprised of two engineers (both are currently being recruited provisionally), one regulatory specialist, one construction inspector, one manager, and two administrative positions.

19. The voters approved Proposition A Water Revenue Bonds totaling \$1.628 billion in the November 5, 2002 election. Ms. Karen Kubick of the PUC states that the PUC plans to request Board of Supervisors approval in March of 2003 for additional positions through a FY 2002-2003 supplemental budget request for Proposition A Water Revenue Bond proceeds. The exact amount of that request has yet to be determined since PUC management is still in the process of identifying the specific staffing needs associated with the Capital Improvement Program's schedule. According to Mr. Mark Blake of the City Attorney's Office, subject to limitations under the Internal Revenue Code, PUC staff costs incurred in connection with the acquisition and/or construction of capital improvements under Proposition A are eligible to be reimbursed from the issuance of revenue bonds by the PUC.

20. Attachment IX, provided by Ms. Madden, explains how the PUC plans to fill its vacant positions. According to Ms. Madden, "A combination of successful partnering with the Department of Human Resources, internal streamlining efforts, and communication with all parties about their responsibilities are actions that the SFPUC believes will support the CIP's hiring needs." More specifically, the Budget Analyst notes that in February of 2000, the California State Auditor recommended that the PUC "develop a formal comprehensive plan to outline the staffing requirements necessary to complete its capital improvement plans."<sup>7</sup> However, the California State

---

<sup>7</sup> California State Auditor, *San Francisco Public Utilities Commission: Its Slow Pace for Assessing Weaknesses in Its Water Delivery System and for Completing Capital Projects Increases the Risk of Service Disruptions and Water Shortages* (February, 2000), page 4.

Auditor did not cite a specific deadline date by which that recommendation should be implemented. Mr. Bajwa advises that the PUC staffing plan will be finalized before the end of January of 2003 as the PUC finalizes its FY 2002-2003 supplemental budget request. This staffing plan will include the use of staff from a number of City departments. The Budget Analyst recommends that the PUC submit its staffing plan to the Board of Supervisors by no later than February 3, 2003.

21. On October 9, 2002, the PUC and the Department of Public Works (DPW) entered into a Memorandum of Understanding to share resources for the planning, design, and construction management of the capital improvement program. Mr. Bajwa estimates that a substantial amount of the capital improvement design work required by the PUC's City Distribution Division in 2003 will be performed by DPW staff. However, the precise workplan has yet to be determined.

22. In the section on "CIP Restructuring" in Attachment I, Mr. Bajwa advises that the PUC's Capital Improvement Program management function has been restructured to (a) give the Capital Improvement Program Manager greater responsibility, and (b) fully integrate Contractor staff with the PUC's Capital Improvement Program staff. Ms. Kubick advises that this restructuring of the Capital Improvement Program has delayed the hiring schedule for PUC positions, but that the restructuring will establish a more effective long-term organization. According to Mr. Bajwa, the organization chart for the restructured Capital Improvement Program management function will be finalized once a permanent Assistant General Manager of Infrastructure has been appointed.

#### Retroactivity

23. The PUC is proposing a three month extension to Contract Year 2, from September 22, 2002 to December 21, 2002, during which time the PUC has incurred expenditures of \$4,614,696 from the previously appropriated funds not to exceed \$14,000,000 for Contract Year 2. Therefore, Resolution 02-1573 should be amended to provide for retroactivity. According to Mr. Bajwa, the

Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting

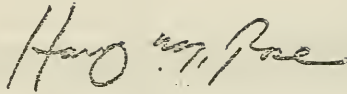
Contractor has continued to work on projects since December 22, 2002, the proposed start of Contract Year 3, incurring expenditures in the amount of an estimated \$419,366 from the previously appropriated funds not to exceed \$14,000,000 for Contract Year 2. Therefore, Resolution 03-0024 should also be amended to provide for retroactivity.

24. As stated in Comment No. 6 above, the Finance Committee may wish to consider placing the program management reserve amount of \$600,000 (see Table 2 above), budgeted under the Program Management Office portion of Contract Year 3, on reserve, so that expenditure is subject to Board of Supervisors Finance Committee approval.

Recommendations:

1. Request that the audit of the Water Infrastructure Partners' Contract Year 2 performance be submitted to the Board of Supervisors no later than May 9, 2003 (see Comment No. 8).
2. Amend the proposed resolution to require that all future performance fee payments to Water Infrastructure Partners be subject to Board of Supervisors approval, consistent with Board of Supervisors Resolution 868-01 (see Comment No. 13).
3. Request that future evaluations of the work performed by the Contractor be undertaken by experts from outside the PUC, rather than by PUC project managers, in order to ensure impartial evaluations (see Comment No. 15).
4. Request the PUC to submit its staffing plan to the Board of Supervisors no later than February 3, 2003 (see Comment No. 20).
5. Amend the proposed resolutions for retroactivity (see Comment No. 23).
6. Approval of the proposed resolutions (Files 02-1573 and 03-0024), as amended, is a policy matter for the Board of Supervisors.

Memo to Finance Committee  
January 29, 2003 Finance Committee Meeting

A handwritten signature in dark ink, appearing to read "Harvey M. Rose". The signature is fluid and cursive, with the first name "Harvey" being the most prominent.

Harvey M. Rose

cc: Supervisor Peskin  
Supervisor Daly  
Supervisor Maxwell  
Clerk of the Board  
Controller  
Ben Rosenfield  
Ted Lakey



## San Francisco Public Utilities Commission

1155 MARKET ST., 4TH FLOOR, SAN FRANCISCO, CA 94103  
TELEPHONE: (415) 554-2457 • FAX: (415) 554-3161  
EMAIL: WBERRY@SFWATER.ORG • WEB: SFWATER.ORG



### MEMORANDUM

**DATE:** DECEMBER 31, 2002  
**TO:** ALAN GIBSON, BOARD OF SUPERVISORS BUDGET ANALYST  
**FROM:** JEET BAJWA, CIP GROUP, SFPUC  
**SUBJECT:** WATER INFRASTRUCTURE PARTNERS CONTRACT

The following are explanations for the questions raised in your report:

#### **Reasons for Three-Month Extension of Contract Year 2**

The SFPUC had requested a three month extension of Contract Year 2 of its Program Management Services Contract with Water Infrastructure Partners (WIP) since the amount of work performed under the contract in Contract Year 2 has been less than normally planned because:

- (a) Bechtel Infrastructure Corporation withdrew from the contract, and it took a period of two and a half months to formally reconfigure the joint venture from the San Francisco Water Alliance to Water Infrastructure Partners (WIP). During this transition period of June 2002 to August 2002, due to demobilization and mobilization of staff, the remaining joint venture partners performed only critical and essential work rather than the full work plan originally scheduled for Contract Year 2.
- (b) The Human Rights Commission (HRC) process took over two months to provisionally certify (on August 20, 2002) that Jacobs Engineering Group, the parent company of Jacobs Civil, Inc., was in compliance with San Francisco Administrative Code Chapter 12.B pertaining to non-discrimination in contracts and San Francisco Administrative Code Chapter 12C pertaining to non-discrimination in property contracts. Currently, the WIP is in compliance with all HRC requirements.

#### **PERFORMANCE FEES**

Beginning with the Year 2 Contract, the Consultant is eligible for performance fees. Assuming partial or complete achievement of the savings target and other performance measures associated with a task, the Contractor is eligible to receive some or all of an at-risk performance fee as a percentage of the Contractor's billing for that task. In Year 2 Contract, the performance fee is capped at 4.5 percent of Contractor billings, which means that the Contractor could potentially be paid performance fees of up to \$630,000, based on the maximum Year 2 Contract amount of \$14 million. However, the Contractor will not receive the full performance fee of \$630,000 because it has not received maximum scores for all components of its task order evaluations, as assessed by SFPUC project managers.

To date, SFPUC paid the Contractor \$130,113 in performance fees for the first half of the Year 2 contract.

Even though, the Board of Supervisors urged the SFPUC to amend the subject contract so that (a) payment of performance fees to the Contractor would be subject to both SFPUC and/or Board of Supervisors approval, and (b) the performance fee goals for Contract Year 2 would specifically include a quantifiable objective for timely completion of SFPUC-approved task orders, the SFPUC could not implement these conditions. The previous Contractor, as the other party to the subject contract, did not agree with changes to the process for determining the payment of performance fees. However, to imply the intent of the Board of Supervisors' recommendation, the SFPUC has adopted a procedure that based on the task order evaluations, the SFPUC staff will make a recommendation to the General Manager (GM) and the Commission for performance fee payment.

For the Year 3, the SFPUC intends to amend the contract per the BOS resolution 868-01.

#### **CONTRACT YEAR 2 PERFORMANCE MEASURES**

The SFPUC originally proposed 57 performance measures for Contract Year 2 were to be the basis of the performance fees payable to the Contractor. However, a narrower range of performance measures was ultimately used for Contract Year 2 due to:

- (a) Delayed Board of Supervisors approval for Contract Year 2 (November 16, 2001), loss in continuity, and reduced work scope.
- (b) The initial six-month funding restriction for Contract Year 2.

#### **SFPUC Assessment of 11 Task Orders Performed by the Contractor between September of 2001 and March of 2002**

Overall, the ten SFPUC project managers who evaluated the Contractor's performance against the first 11 task orders issued by the SFPUC in Contract Year 2 scored the Contractor highly, giving the Contractor a cumulative total score of 2.81 points out of a potential 3.00 points (3.00 means "meets requirements"). However, the cumulative score was affected by the SFPUC project managers giving the Contractor's performance lower scores against certain task orders (2.00 means "needs improvement," and 1.00 means "poor performance"). In particular, the SFPUC project managers gave low scores to the Contractor's performance on the following:

- In relation to Task Order No. 041-B, Program Management Services – Year 2 – Oversight and Contract Management, the Contractor scored 2.50 because hard copies of the Contractor's management reports were late. However, electronic versions of the management reports were timely. There was no impact on the actual program management execution.
- In relation to Task Order No. 041-E, Program Management Services – Year 2 – Formulate Capital Improvement Program Organization, the Contractor scored

2.00 because (a) the implementation strategy was not well thought through, and (b) the required Technical Advisory Committee was not formed per schedule. In relation to the implementation strategy, there were insignificant consequences for the SFPUC since the SFPUC was also in the process of developing its Capital Improvement Program (CIP) organization. In relation to the Technical Advisory Committee, there were no adverse consequences for the SFPUC from not receiving fully developed implementation details at the time the SFPUC approved the Technical Advisory Committee concept. The committee has since been established as the Capital Program Oversight Committee.

- In relation to Task Order No. 042, SFPUC Security Review, the Contractor scored 1.90 because the task required a specialist who was traveling overseas on another assignment, and therefore the project was late. There were no adverse consequences for the SFPUC and the system evaluation was eventually completed. The subsequent report was accepted by the SFPUC.
- In relation to (a) Task Order No. 044, Calaveras Fault Crossing Alameda Siphons Optioneering, (b) Task Order No. 046, Water Supply and Treatment/Irvington Tunnel Bypass Optioneering, and (c) Task Order No. 047, Water Supply and Treatment/Bay Division Pipeline Optioneering, the Contractor scored 2.80 for each because of editorial deficiencies in the draft reports which contained typographical errors, poorly organized contents, and repetitive material. However, the final reports were satisfactory and included sensitivity analyses, even though these were not required by the task orders.
- In relation to Task Order No. 051, Water Supply and Treatment/Crystal Springs Bypass Preliminary Engineering Support, the Contractor scored 2.90 because the project management plan, which had been developed earlier, was not updated to reflect schedule changes. There was no negative impact on the SFPUC as a result of this.

The SFPUC managers' evaluations have a direct bearing on the performance fee payable to the Contractor. Therefore, these low scores reduced the performance fees paid to the Contractor by \$6775.

#### **SFPUC Assessment of 14 Task Orders Performed by the Contractor between June of 2002 and December of 2002**

Overall, the ten SFPUC project managers who evaluated the Contractor's performance against the second 14 task orders issued by the SFPUC in Contract Year 2 scored the Contractor highly, giving the Contractor a cumulative total score of 3.53 points out of a potential 5.00 points (3.00 means "meet requirements"). However, SFPUC project managers gave the Contractor's performance against components of certain task orders lower scores (2.00 means "needs improvement"). In particular, the SFPUC project managers gave low scores to the Contractor's performance on the following:

- In relation to Task Order No. 055-2, Irvington/Alameda, the Contractor scored 2.00 for quality of the work and deliverables, and administration. This problem was brought to the attention of the WIP management and corrective action has been taken. Scoring took place on an interim basis, prior to any deliverables being required. This task order will be scored again in the next evaluation. The

task order is still in progress and currently on schedule and budget. There will be no direct impact on the product and schedule.

- In relation to Task Order No. 057-2, Bay Division Pipelines, the Contractor scored 2.00 for quality of the work and deliverables, and administration. This problem was brought to the attention of the WIP management and corrective action has been taken. Scoring took place on an interim basis, prior to any deliverables being required. This task order will be scored again in the next evaluation. The task order is still in progress and currently on schedule and budget. There will be no direct impact on the product and schedule.
- In relation to Task Order No. 058-2, Facilities Reliability Program, the Contractor scored 2.00 for "adherence to the project schedule". This problem occurred due to several work stoppages on the task order because of contract approval and contractor assignment change. These delays were caused by work processes in the City and the project manager, after realizing that the evaluation is actually for the WIP staff only, changed the evaluation to "meet requirements". The draft report has been issued, and long term, there is no adverse impact of its delay. This task is still in progress and on budget. The schedule has been extended by SFPUC for their review.
- In relation to Task Order No. 059-2, Stoner Model Validation, the Contractor scored 2.00 for both responsiveness, and administration. This problem was due to poor interaction with City staff. The product and delivery schedule did not suffer and the final accepted report was produced on an accelerated schedule and less than budget.

### **CIP Restructuring**

The SFPUC's CIP organization is being restructured to provide a matrix organization with added responsibility to the CIP Program Management functions. In this restructured format, WIP will play an important role. The WIP team will be fully integrated with the CIP team, including work space locations, to ensure that the entire team performs as a single entity. The main areas where integration will take place are:

- Project controls
- Conceptual Engineering/Alternative Analysis

In the project controls area, the schedulers and cost estimators will work alongside existing CIP staff and will provide a complete support function for the project managers.

Similarly, in the conceptual engineering/optioneering area, the combined team consisting of about 50 percent WIP and 50 percent CIP/UEB staff will work together on all projects. This approach is already being applied on two major projects.

### **Savings (LTKPM 1)**

#### **Alternative Analysis:**

This is the critical part of the planning process that reviews and defines the stated

needs for a project and evaluates the various viable alternatives relative to capital and operating costs, operability, environmental implications and schedule. The WIP recommended that the SFPUC establish a Planning Manager to deliver these reports and to empower the CIP Program Manager to oversee the projects and allocate their funding for the CIP. Alternative Analysis will deliver cost savings for projects by:

- Defining the real project needs
- Generating and analyzing viable alternatives that meet the defined need
- Applying appropriate criteria to the evaluation of the alternatives
- Selecting the optimum project
- Defining its design basis
- Obtaining engineering and customer concurrence before design begins
- Contractor will also identify potential risks associated with each alternative that impacts cost, schedule, local environment and overall system performance

Four projects went through an alternative analysis process in the first half of 2002. Only one of these projects (Tesla Portal Disinfection) reached a stage where conclusions could be drawn as to the possible solutions generated and analyzed. In this case, a WIP generated solution offered savings of \$5.1 million against the project CIP budget. The savings offered can be genuinely considered as a savings within the limits of estimating accuracy.

The other projects have not completed the process of alternative analysis and the cost estimating of generated solutions vary from being significantly higher than CIP estimate to significantly lower than the estimate.

Initial estimates of savings at this stage assumes the following:

| <b>Projects</b>                  | <b>Estimated Potential Savings</b>        |
|----------------------------------|-------------------------------------------|
| Tesla Portal Disinfection        | \$5.1 million                             |
| Bay Division Pipeline            | \$83 million*                             |
| Irvington Tunnel/Alameda Siphons | \$20 million**(Two projects are combined) |
| Total                            | \$108.1 million                           |

\*Note 1: Although a pump station solution offering savings of \$285 million is being considered, this is a radical approach and other constraints may prevent its implementation. In lieu of this, savings have been included from one of the pipeline options that more closely match the original project description.

\*\*Note 2: Savings are available from the Irvington Tunnel options including a small (\$20 million) savings on the original project proposal of a second adjacent tunnel.

### **CIP Program Procedures:**

Fully implemented program procedures developed on the CIP should result in a potential savings of 3% to 5% of soft costs. These work process procedures include work methods, processing standards, program controls, roles and responsibilities of team members, discipline interface deliverables and required coordination.

### **Contractor Outreach:**

The WIP Diversity Contractor Outreach Specialist, working in conjunction with the SFPUC and the HRC, has created a targeted process for providing information on SFPUC contracts ready to bid. This process has been used on all contracts that were put out to bid from January through November 2002. This process has increased the level of competitive bidding on projects, and as a result has offered the SFPUC substantial cost savings on construction contracts. The total engineer's estimate on 29 projects was approximately \$67.7 million. Apparent low bids due to competitive bidding for the period totaled \$54.2 million, allowing the SFPUC to award contracts for \$13.5 million less than (or 19.96% under) the engineer's estimate.

| <b>Water Infrastructure Partners</b><br><b>Summary of PMO Scope of Work Activities for Year Three</b> |                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                                                                                                     | <b>Program Management Support - Oversight and Administration</b><br>Provide planning, administration, oversight and direction of program management support services to the SFPUC.                                                                                                                                 |
| 2                                                                                                     | <b>Work Plan Development</b><br>Develop scope of services, cost estimates, and contract deliverables for ongoing PM/CM task orders and PMO Year Four.                                                                                                                                                              |
| 3                                                                                                     | <b>Staff Development / Training</b><br>Provide ongoing staff development and staff training. Assist in developing a transition program with SFPUC and provide training as needed.                                                                                                                                  |
| 4                                                                                                     | <b>Participation in CIP Planning</b><br>Assist in formulating SFPUC/WIP CIP planning team, evaluate projects, develop list of priority factors, assist in developing a financing plan, schedule the activities for EIR documentation, and update CIP as new information becomes available.                         |
| 5                                                                                                     | <b>Communications and Public Information</b><br>Assist SFPUC with the development and implementation of a Communications and Public Information Plan                                                                                                                                                               |
| 6                                                                                                     | <b>Diversity Program Support</b><br>Provide support for the Diversity Program for the SFPUC, including updates to the SFPUC/HRC employment database, contractor and subcontractor outreach, and employment training compliance.                                                                                    |
| 7                                                                                                     | <b>Program Controls and Reporting</b><br>Assist SFPUC with Program Controls Management, CIP updates, cost estimating, pilot and full scale introduction of New Controls System, and Critical Path Scheduling.                                                                                                      |
| 8                                                                                                     | <b>Cost Estimating Database</b><br>Assist with the refinement of the existing Integrated Estimating Database (IED).                                                                                                                                                                                                |
| 9                                                                                                     | <b>Engineering Practices</b><br>Provide limited training and introduction support to previously issued engineering, construction management, project controls and project management project procedures to SFPUC. Assist in the development of Project Managers Procedures Manual and engineering instructions.    |
| 10                                                                                                    | <b>Records Management</b><br>Provide support in developing and maintaining an engineering archive, including assistance with collecting internal and external reports, references regulations and codes; develop a cataloging system and reference database; develop protocols for future maintenance and updates. |
| 11                                                                                                    | <b>Graphic Design and Audio Visual Development</b><br>Provide SFPUC with support for graphic design and audio/visual development for the SFPUC CIP.                                                                                                                                                                |
| 12                                                                                                    | <b>Quality Assurance and Quality Control Planning</b><br>Provide SFPUC with Quality Control and Quality Assurance support.                                                                                                                                                                                         |
| 13                                                                                                    | <b>Construction Management Plan</b><br>Establish standards and procedures for CM staffing and practices. Create an organization to implement construction management and implementation practices.                                                                                                                 |



## San Francisco Public Utilities Commission

1155 MARKET ST., 4TH FLOOR, SAN FRANCISCO, CA 94103  
TELEPHONE: (415) 554-2457 • FAX: (415) 554-3161  
EMAIL: WBERRY@SFWATER.ORG • WEB: SFWATER.ORG



### MEMORANDUM

**DATE:** JANUARY 15, 2003  
**TO:** ALAN GIBSON, BOARD OF SUPERVISORS BUDGET ANALYST  
**FROM:** JEET BAJWA, CIP GROUP, SFPUC  
**SUBJECT:** WATER INFRASTRUCTURE PARTNERS CONTRACT

As requested, the following detailed information is provided for the planned WIP PROJECT MANAGEMENT OFFICE (PMO) services for Year 3

#### **PMO SUBTASK 1: OVERSIGHT AND ADMINISTRATION**

##### **Scope:**

Task 1 Oversight and Contract Management of the WIP  
Task 2 PMO Work Activity Monitoring and Documentation  
Task 3 Monthly Report  
Task 4 Weekly Team Meeting  
Task 5 Task Order and Issue Tracking Log  
Task 6 Files

##### **DELIVERABLES SUMMARY TO DECEMBER 2003**

|                                                      |                                     |
|------------------------------------------------------|-------------------------------------|
| Invoices, Task Orders, W/MBE Report, audit responses | Monthly & as needed                 |
| Monthly Status Reports                               | 15 <sup>th</sup> of following month |
| Draft Meeting Notes                                  | As needed                           |
| Task Order Log                                       | Update weekly                       |
| Prepare hard copy documents and electronic files     | Continuous                          |

#### **PMO SUBTASK 2: WORK PLAN DEVELOPMENT**

##### **Scope:**

Task 1 Task Order Development  
Task 2 Transition Plan

##### **DELIVERABLES SUMMARY TO DECEMBER 2003**

|                                                        |               |
|--------------------------------------------------------|---------------|
| Scope of Work, Labor estimates & deliverables schedule | Continuous    |
| Draft Transition Plan                                  | Due June 2003 |

### **PMO SUBTASK 3: STAFF AND ORGANIZATION DEVELOPMENT**

#### **Scope:**

- Task 1 SFPUC Skills Bank & Staffing Requirements
- Task 2 Design, Coordination & Execute Staff Development Courses Tech Seminars
- Task 3 Create, Build, Implement and Support High Performing Project & Tech Teams
- Task 4 Provide Support to SFPUC Management
- Task 5 Transition Plan

#### **DELIVERABLES SUMMARY TO JUNE 2003**

|                                     |                           |
|-------------------------------------|---------------------------|
| Update SFPUC Skills Bank            | As needed                 |
| Provide training courses / seminars | Schedule through duration |
| Provide assistance to project teams | As needed                 |
| Provide support for team building   | As needed                 |
| Draft Transition Plan               | Due May 2003              |

### **PMO SUBTASK 4: CIP PLANNING**

#### **Scope:**

- Task 1 Form a WIP/SFPUC Staff Team to prepare scope of work
- Task 2 Categorize CIP Projects for Environmental Impact Documentation
- Task 3 Categorize Non-CIP Projects for Environmental Impact Documentation
- Task 4 Sort Projects into Local Water, Regional Water, Clean Water and Power
- Task 5 Redefine CIP and Non-CIP Projects
- Task 6 Develop Prioritization Factors to establish project's priority
- Task 7 Assign Prioritization for each project
- Task 8 Assist Bureau of Finance with Financial Plan
- Task 9 Formulate First-Year Project Plan by environmental status
- Task 10 Coordinate Technical Activities for EIR Documentation
- Task 11 Coordinate Project/Program Management Activities for EIR Documentation
- Task 12 Update CIP Program Annually
- Task 13 Transition Plan

#### **DELIVERABLES SUMMARY TO DECEMBER 2003**

|                                                            |                     |
|------------------------------------------------------------|---------------------|
| WIP/SFPUC Staff Team roster                                | First Quarter 2003  |
| Meeting agendas                                            | As needed           |
| Team Action Notes                                          | As needed           |
| List of projects with environmental selection              | December 2003       |
| Interim Report                                             | Fourth Quarter 2003 |
| Projects List with costs, benefits & environmental impacts | Fourth Quarter 2003 |

|                                              |                     |
|----------------------------------------------|---------------------|
| List of Priority Factors and their basis     | Fourth Quarter 2003 |
| Project Rankings List                        | Fourth Quarter 2003 |
| List of Projects by Environmental categories | Fourth Quarter 2003 |
| Program updates                              | As needed           |
| Draft Transition Plan                        | Due June 2003       |

#### **PMO SUBTASK 5: COMMUNICATIONS AND PUBLIC AFFAIRS**

##### **Scope:**

- Task 1 Communications and Public Affairs Planning support
- Task 2 Media Relations support
- Task 3 Communication Materials
- Task 4 Crisis Communications and Training
- Task 5 Database Development and Management for CIP
- Task 6 Project Administration and coordination with SFPUC Staff
- Task 7 Transition Plan

#### **DELIVERABLES SUMMARY TO DECEMBER 2003**

|                                                   |                     |
|---------------------------------------------------|---------------------|
| Outreach Programs for CIP and associated projects | Fourth Quarter 2003 |
| Draft Crisis Communication Plan                   | Fourth Quarter 2003 |
| CIP Communications and Information Materials      | Fourth Quarter 2003 |
| Environmental Stewardship Information Materials   | Fourth Quarter 2003 |
| Clean Water Information Materials                 | Fourth Quarter 2003 |
| Placement of news and feature stories support     | As needed           |
| Database List of CIP Stakeholders                 | Fourth Quarter 2003 |
| Draft Transition Plan                             | Due June 2003       |

#### **PMO SUBTASK 6 DIVERSITY PROGRAM SUPPORT**

##### **Scope:**

- Task 1 Manage the overall day-to-day operations of the Diversity Subtask
- Task 2 Assist SFPUC with Contractor/Subcontractor Outreach
- Task 3 Support Implementation of Employment Training Compliance Program to assist contractors with complying with Chapter 12B employment requirements
- Task 4 Transition Plan

#### **DELIVERABLES SUMMARY TO JUNE 2003**

|                                                |                  |
|------------------------------------------------|------------------|
| Weekly reports on contracts                    | Weekly           |
| Documentation files                            | As needed        |
| Database of economically disadvantaged workers | Update as needed |

|                                              |                |
|----------------------------------------------|----------------|
| Weekly Activities Reports of contacts status | Weekly         |
| Database management and updates              | As needed      |
| Draft Transition Plan                        | Due April 2003 |

### **PMO SUBTASK 7 PROGRAM CONTROLS**

#### **Scope:**

- Task 1 Provide Program Controls Manager
- Task 2 CIP Updates
- Task 3 Cost Estimating services and training
- Task 4 Pilot and Full Scale Introduction Activities for New Program Controls System
- Task 5 Critical Path CIP Scheduling
- Task 6 Program Assessment & Variance Reporting
- Task 7 Regional Agency Communications
- Task 8 Shutdown and Maintenance Schedules of water system
- Task 9 Web-based Project Management System & Stakeholder Reporting
- Task 10 Needs Assessment for Construction Status Reporting
- Task 11 Project Controls support for CIP Program Manager
- Task 12 WIP Project Labor Reporting
- Task 13 Transition Plan

### **DELIVERABLES SUMMARY TO DECEMBER 2003**

|                                              |                     |
|----------------------------------------------|---------------------|
| Completion of P3e Implementation Report      | Fourth Quarter 2003 |
| Train relevant SFPUC Project Controls staff  | Fourth Quarter 2003 |
| Guidance and Operations Manual for PC System | Fourth Quarter 2003 |
| Maintain and update Program CPM Schedule     | Update as needed    |
| Establish and issue monitoring reports       | Monthly             |
| Progress Assessments                         | Monthly             |
| Variance Reports                             | Monthly             |
| Web-based project management system          | Fourth Quarter 2003 |
| Updated CIP Schedule                         | Annual              |
| Update and verify Resources                  | Annual              |
| Update P3e Schedule                          | Monthly             |
| Progress Reports                             | Semi-annual         |
| Needs CM Assessment Report                   | Fourth Quarter 2003 |
| Draft Transition Plan                        | Due June 2003       |

### **PMO SUBTASK 8 COST ESTIMATING DATABASE**

#### **Scope:**

Task 1 Finalize Work Plan

Task 2 Modify and document IED changes as agreed with SFPUC

Task 3 Analyze and Evaluate the SFPUC Bid Cost Database and Identify Modifications

#### **DELIVERABLES SUMMARY TO DECEMBER 2003**

|                                   |                     |
|-----------------------------------|---------------------|
| Final Work Plan                   | Fourth Quarter 2003 |
| Modify IED                        | Fourth Quarter 2003 |
| IED Modification Report           | Fourth Quarter 2003 |
| Presentation of IED Modifications | Fourth Quarter 2003 |
| Draft Transition Plan             | Due June 2003       |

### **PMO SUBTASK 9 ENGINEERING PRACTICES**

#### **Scope:**

Task 1 Project Procedures Training support

Task 2 New and revised Project procedures development

Task 3 Provide support for Project Managers Procedures Manual and Miscellaneous Engineering Instructions development

Task 4 Transition Plan

#### **DELIVERABLES SUMMARY TO DECEMBER 2003**

|                                                  |                     |
|--------------------------------------------------|---------------------|
| Provide project procedures training support      | As needed           |
| Develop and issue new and/or revised procedures  | Fourth Quarter 2003 |
| Develop and issue draft Engineering Instructions | Fourth Quarter 2003 |
| Draft Transition Plan                            | Due June 2003       |

### **PMO SUBTASK 10 RECORDS MANAGEMENT**

#### **Scope:**

Task 1 Records Management system development and Implementation

Task 2 Project Library Work Plan and Implementation

Task 3 Transition Plan

#### **DELIVERABLES SUMMARY TO JUNE 2003**

|                                |                     |
|--------------------------------|---------------------|
| Draft Document Management Plan | First Quarter 2003  |
| Final Document Management Plan | Second Quarter 2003 |
| Draft Transition Plan          | Second Quarter 2003 |

**WATER FOR PEOPLE PROJECT CONSTRUCTION MANAGEMENT PLAN****PMO SUBTASK 11 GRAPHIC DESIGN AND AUDIO/VISUAL DEVELOPMENT****Scope:**

Task 1 Develop and maintain a consistent "brand" for the CIP materials

Task 2 Coordinate production of materials for the CIP

Task 3 Maintain a Web-based CIP Construction update

Task 4 Maintain a graphics and photography library of CIP materials

Task 5 Transition Plan

**DELIVERABLES SUMMARY TO MAY 2003**

|                                                |                     |
|------------------------------------------------|---------------------|
| CIP Graphic Standards Document                 | Second Quarter 2003 |
| Brand design for materials                     | Second Quarter 2003 |
| As needed Maps and Graphics                    | Second Quarter 2003 |
| Materials Information Template                 | Second Quarter 2003 |
| Materials to support CIP information           | Second Quarter 2003 |
| Web-based Construction Information outline     | Second Quarter 2003 |
| Work Plan for Graphics and Photography Library | Second Quarter 2003 |
| Draft Transition Plan                          | Second Quarter 2003 |

**PMO SUBTASK 12 QUALITY ASSURANCE / QUALITY CONTROL****Scope:**

Task 1 Project Quality Program Plan finalize

Task 2 Quality Control Manual draft preparation

Task 3 Transition Plan

**DELIVERABLES SUMMARY TO DECEMBER 2003**

|                              |                     |
|------------------------------|---------------------|
| Project Quality Program Plan | Fourth Quarter 2003 |
| Draft Quality Control Manual | Fourth Quarter 2003 |
| Draft Transition Plan        | Due June 2003       |

**PMO SUBTASK 13 CONSTRUCTION MANAGEMENT PLAN AND REVIEWS****Scope:**

Task 1 Establish Standards and Procedures for CM Staffing and Practice

Task 2 Create an Organization to Implement Construction Management

Task 3 Implement CM Practice

Task 4 Constructibility Review services

Task 5 Transition Plan

**DELIVERABLES SUMMARY TO DECEMBER 2003**

|                                                        |           |
|--------------------------------------------------------|-----------|
| Provide Constructibility Review on individual projects | As needed |
|--------------------------------------------------------|-----------|

Develop a draft Construction Management Plan  
Draft Transition Plan

Fourth Quarter 2003  
Due June 2003



## San Francisco Public Utilities Commission

1155 MARKET ST., 4TH FLOOR, SAN FRANCISCO, CA 94103  
TELEPHONE: (415) 554-2457 • FAX: (415) 554-3161  
EMAIL: WBERRY@SFWATER.ORG • WEB: SFWATER.ORG



### MEMORANDUM

**DATE:** JANUARY 7, 2003

**TO:** ALAN GIBSON, BOARD OF SUPERVISORS BUDGET ANALYST

**FROM:** JEET BAJWA, CIP GROUP, SFPUC

**SUBJECT:** WATER INFRASTRUCTURE PARTNERS CONTRACT

The PUC is currently developing the CIP Program Execution Plan. The following is a general approach being followed in this plan:

#### PLANNING

##### **GENERAL COMMENT**

All projects in the CIP will be categorized by type of environmental review required (categorical exception, mitigated negative declaration, EIR etc) and by geographical location. The categories will be agreed with City Planning, prioritized and scheduled in line with the existing CIP program and a first year program of work defined for each environmental category. This definition of project type is well advanced.

The development of Performance Standards for the entire system is underway. When completed these standards will allow each project to be quantified in terms of the benefit to the system. It will be used to more finely define the project solutions identified and analyzed under the Alternatives Analysis process (see below)

The revalidation of customer demand over the planning period is underway together with a review of alternative water source potential from groundwater, recycled water, other municipal inter-ties or state sources and new sources such as desalination. The results of the final review will be applied to the individual projects in refining the definition of solutions. The results will also provide the final drought planning strategy that will also influence in some cases the project solutions.

Formal Operations Planning for current, future and interim systems is underway and this will provide the skeleton against which the solutions for individual projects are defined.

##### **CIP UPDATE**

Project and Program Control functions are now established in the SFPUC. One of the functions of the Planning group in conjunction with the Project Controls teams will be to provide the annual update of the CIP. This will include an up to date view of projects in the implementation process, a detailed program of projects for the following year and an overall assessment of both program and project progress. The team has commenced work on the detail planning of the first year program.

##### **ALTERNATIVES ANALYSIS**

Individual projects will go through a three phase planning process consisting of needs definition, alternatives analysis and evaluation and conceptual engineering report. During this process, viable solutions to the project need will be analyzed and evaluated against a set of agreed criteria so that the optimum solution can be chosen and carried forward outline development at the CER stage. Development of the evaluation criteria has

commenced and the Alternatives Analysis process has been implemented with procedures in place. A number of projects have already reached phase II of the process.

This work will generally be completed by in-house staff with specialist support where required from outside consultants. Alternatives Analysis teams have been formed within the organization and are currently functioning.

### **ENVIRONMENTAL REVIEW, ENVIRONMENTAL MITIGATION AND PERMITTING**

A group within the planning department, supplemented by representatives from project management, engineering and legal have been working for some time on the establishment of strategies for environmental review, environmental mitigation and project permitting. The objective is to provide the most effective approach to these considerations at both a program and an individual project level. The strategy for environmental review is in place in a draft form and the approach to environmental mitigation and permitting is well advanced. The group will continue in existence throughout the program to provide expertise and advice to the project management group.

## **DESIGN**

### **PROCEDURES, CODES AND STANDARDS**

The development of appropriate procedures, codes and standards to be applied in engineering design has been underway for some time and is nearing completion. These will be used to provide consistency of approach throughout the program irrespective of the delivery method used.

### **IN-HOUSE DESIGN**

Development of the in-house design capability is well underway and reorganization of the departments has begun. Hydraulics and cost estimating groups have been established to supplement the existing organization and other groups will be created as needed.

A staffing plan that includes the use of staff from a number of City departments exists in draft and this is being enhanced by the addition of an appropriate recruitment plan.

A strategy for the use of in-house staff and specialist consultants where required has been created in draft and discussion between departments and union to agree the approach is underway.

### **CONSULTANT DESIGN**

Where external consultants are used either for reasons of specialist knowledge or to peak load periods of high activity the strategy to appoint and manage the work of such consultants is being developed. Control will be exercised on the basis of the procedures, codes and standards mentioned above and the CIP schedule will be used to ensure timely contracting with the design consultants.

### **ALTERNATIVE DELIVERY METHODS**

Where very tight schedule constraints exist on projects consideration will be given to alternative delivery methods such as design, construct in order to provide the most efficient and effective method of project implementation that meets the requirements of the CIP schedule.

**CONSTRUCTION AND START UP****GENERAL COMMENT**

Most of the effort in the first two years of the program will center on the planning and design phases of projects. There will be some projects that reach the construction phase and early planning for this has already commenced.

**CONSTRUCTION PLANNING**

Staff planning for Construction Management is underway. In the short term existing staff will be able to deal with the workload but long-term recruitment will be necessary.

**CONTRACTING STRATEGY AND BIDDERS LISTS**

A program of this size will put a strain on the ability of locally based companies to provide a construction service for the program. A review of available companies will be carried out and if necessary a wider bidding list will be created than for previous work. Specialist companies providing particular skills will also be identified.

As mentioned above alternative delivery methods with appropriate companies will be considered if required and control will be exercised through the procedures, codes and standards mentioned above.

## Section 1- Executive Summary

In August 2000, the Board of Supervisors (BOS) approved a four-year Program Management Contract (PMC) for the San Francisco Water Alliance (SFWA) a joint venture consisting of Bechtel Infrastructure, The Jefferson Company (now Primus Infrastructure Company), and Sverdrup Civil (now Jacobs Civil, Inc.), with a provision to renew the contract term annually. The scope of work focused on providing program management services to the San Francisco Public Utilities Commission (SFPUC) and assist in executing the Capital Improvement Program (CIP). The SFPUC sought program management support to enhance management skills and adopt the new management tools and processes needed to deliver a program on the scale of the CIP—a program five to ten times larger than any they have ever initiated.

In November 2001, the Finance Committee approved the second year renewal releasing \$3 million of the Program Management Office (PMO) funds representing approximately half of the year-two allocation. At the direction of the Finance Committee, SFPUC management and Local 21 established a labor-management working group to generate input and provide oversight related to the SFWA contract for the four-month extension period through March 21, 2002.

On May 7, 2002, the SFPUC approved Bechtel's request to withdraw from the SFWA joint venture partnership and approved the assignment of contract # CS-524 to the newly constituted SFWA. The joint venture has been restructured and is now operating as the Water Infrastructure Partners (WIP) under the sponsorship of Jacobs Civil, Inc. and Primus Infrastructure Company. This action was approved by the BOS in June 2002. WIP formed a team to transition critical work activities and major functions from Bechtel staff to the Jacobs-led team. This effort included overall contract administration/management, Integrated Estimating Database (IED) development, project execution, and CIP planning, support providing a seamless transition from SFWA to WIP, assuring the preservation of institutional knowledge and minimal disruption of work efforts.

In September 2002, the SFPUC Commission passed a resolution seeking BOS approval of a 3-month time extension for the performance of PMO and PM/CM tasks relating to Program Management Consultant (PMC) Services. The extension was necessary due to the institutional process delays resulting from the removal of Bechtel from the SFWA and restructuring of the PMC joint venture.

Delays throughout the second year have resulted in a fragmented scope of work with specific work tasks and deliverables. However, the provisions for Key Performance Measures (KPMs) have remained in the contract, requiring an annual review of the performance by the Budget Analyst. We have grouped the KPMs into the following two categories – Short Term and Long Term.

➤ Short Term KPMs assess the performance during the second year of the Contract and include the following:

1. CIP Updates
2. Meet MBE/WBE goals
3. Develop and implement a Training Programs for SFPUC staff
4. Support SFPUC Management and Joint Union-City Committee
5. Develop Program Controls Tools
6. Identify cost savings through Alternatives Analyses
7. Establish QA/QC Program for Integrated CIP Program

Long Term KPMs assess the performance over the life of the Contract. They include:

1. Overall Program Savings of at least 10%
2. Complete designs on schedule
3. Complete construction on schedule
4. Meet HRC subcontracting goals for construction contracts
5. Closeout contracts within 6 months of completion
6. Improve estimating accuracy
7. CIP expenditure progress
8. Reduce total services cost

Although we have been working with a fragmented scope and limited staff, significant progress was made during the second year of the contract. Attention was focused on SFPUC systems and project planning, updating the long-range CIP, project procedures and project execution planning, training and staff development, program budget and schedule controls, and assisting the SFPUC with the development of an integrated organization with high performance teams. The Reliability Study is ongoing; the SFPUC Skills Bank is expanded and utilized; and the training program has broadened to include courses in project management, construction management, project engineering management, cost estimating, hydraulic modeling, construction law, AutoCAD Map, Geographical Information Systems (GIS) workshops, and other technical seminars.

The major accomplishments for the second year of the contract include:

- Update Long Range CIP
  - o Reviewed scope and updated cost estimates for selected 20 projects
  - o Developed an overall 13 year Staffing Plan
  - o Developed Total Installed Cost (TIC) by Project in Year 2003 dollars.
  - o Developed expenditure profiles and cash flow
  - o Created Critical Path Baseline Network using the CIP Work Breakdown Structure
  - o Submitted integrated CIP organization chart including roles and responsibilities, and proposed management goals and objectives
  - o Recommended implementation strategy
- SFPUC Project Planning
  - o Developed critical scope and work plans for 6 alternative analyses studies to be performed by SFWA / WIP and UEB personnel.
  - o Developed strategies and processes for the implementation of the programmatic EIR/EIS process.
  - o Worked with SFPUC Planning, Operations, Finance, and IT on the assessment of available budget control and schedule models that best meet the SFPUC requirements.
  - o Identified priorities and associated costs for the next phase of the project evaluations and alternative analyses.
  - o Produced detailed schedule of pre-design activity associated with the CIP

• Staff Training and Organizational Development:

- SFPUC Skills Bank expanded to contain 216 staff profiles.
  - Developed *Skills and Goals Inventory Report Update – Implications for the CIP*
  - Utilized Skills Bank to identify over 75 individuals for three (3) upcoming courses and two (2) rotation opportunities (Quality Assurance and Project Manager Assistant).
  - Organized seven (7) courses, totaling over 230 hours, approximately 115 staff completing their respective programs:
    - Construction Management I & II (12-15 attended; 22 hours each session)
    - Project Management II (25 graduated; 43 hours)
    - Project Engineering I (22 attended; 22 hours)
    - Cost Estimating I (4 attended; 50 hours)
    - Hydraulic Modeling (15 attended; 25 hours)
    - Construction Law I (average attendance 38; 35 hours) completes 12/17 with an examination and certificate.
    - AutoCAD Map (7 attended; 16 hours)
  - Organized over 35 technical seminars and brown bags presentations
  - Supported creation of Cost Estimating Group and Quality Assurance function
  - Provided SFPUC with support on the CIP Implementation Strategy / Plan
  - Completed eight (8) CIP Job Analysis Questionnaires and/or Special Conditions; and assisted in advertising positions
  - Drafted CIP Brochure
  - Supported creation of the CIP / R & R Staffing Model
  - Scheduled 43 Project Management Division (PMD) staff interviews; planned and executed one-day PMD Team Building Session for 60 staff; and, organized/implemented four (4) brainstorming sessions with Project Engineers, Project Managers and Resident Engineers
  - Developed "*Guideline for Delivery of Design Packages to Achieve Performance Objectives*" for the UEB General Engineering Division
  - Participated as the SFWA/WIP representative to the Joint Union City Committee
  - Provide support to the Procedures, Staffing and Operations subcommittees
  - Assisting in the expansion of the SFPUC Skills Bank to include DPW and possibly other city agencies planning, engineering and construction management staff
- Minority and Women Owned Business (M/WBE) Utilization:
- SFWA/WIP have remained committed to M/WBE utilization within the PMC team, as well as supporting SFPUC outreach efforts to construction contractors
  - M/WBE firms have maintained significant roles within the PMC team allowing tremendous opportunity for growth
  - Exceeded M/WBE goals during the second year with MBE 34% and WBE 19% participation
  - Updated and streamlined the SFPUC/HRC employment database to support Chapter 12B requirements on SFPUC projects
  - Outreach efforts resulted in an increase on M/WBE bidding participation as primes and subcontractors.

- Program Control and Accountability Systems:

- o Completed CIP Program document including schedule and cost estimate for 87 projects
- o Delivered the Measure A & B Projects Status Report (over 70 projects).
- o Assisted SFPUC with the selection of Program Controls software (P3E).
- o Created system to track discipline hours during design phase—pilot underway on two (2) projects.
- o Improved quantification of scope for 20 CIP projects.
- o Updated Measures A & B Projects database and reporting system development
- o Supported UEB in forming a new cost estimating group and provided related training

- Establish Quality Control / Quality Assurance Program for Integrated CIP Program

- o Reviewed existing procedures to determine their suitability and potential need for modification. Proposed a standard formal and procedure numbering system.
- o Prepared and submitted 47 new SFPUC CIP Project Procedures: Engineering (27), Construction (8), and Project Controls (1). Eleven (11) Project Controls and CIP Program Management procedures are temporarily on hold.
- o Developed two (2) workflow processes that detail each phase of the project life cycle including Project Team member identification, deliverables, approval requirements and team member work process evaluation.
- o Projected an estimated (soft cost) 3% - 5% engineering/design work-hours cost savings as a result of the development and introduction of project procedures.
- o Projected an additional 2% savings at completion and commissioning of projects as a result of verification that processes and procedures are used and that required documentation is maintained during the execution of the project.

A detailed discussion of the SFWA / WIP accomplishments is presented in Section 2, for Short Term KPMs and in Section 3 for Long Term KPMs. A summary of the evaluation of the task orders awarded to the SFWA / WIP in the second year is presented in Section 4.



WATER  
HETCH HETCHY  
WATER & POWER  
CLEAN WATER

Willie L. Brown, Jr.  
Mayor

Ann Moller Caen  
President  
E. Dennis Normandy  
Vice President

Ashok Kumar Bhatt  
Jeffrey Chen  
Robert J. Costello

Patricia E. Martel  
General Manager

# SAN FRANCISCO PUBLIC UTILITIES COMMISSION

875 Stevenson Street, 3rd Floor • San Francisco California • 94103  
Karen Kubick, P.E., Program Manager • Program Management Division  
415.554-7171 • Fax 415.554-7165



| <u>Contract Year 2</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <u>Contract Year 3</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><u>Short-term performance measures</u></p> <ol style="list-style-type: none"> <li>1. Update the Capital Improvement Program plan.</li> <li>2. Meet MBE and WBE target goals for the Program Management Services Contract (PMC).</li> <li>3. Develop and implement a training program for SFPUC.</li> <li>4. Support SFPUC management and the Joint Union/City Committee.</li> <li>5. Develop and implement program controls tools.</li> <li>6. Achieve alternative analysis cost savings.</li> <li>7. Develop a quality assurance/quality control program.</li> </ol>                                                                                                                                                                                                                                                                                                        | <p><u>Short-term performance measures</u></p> <ol style="list-style-type: none"> <li>1. Update the Capital Improvement Program plan.</li> <li>2. Meet MBE and WBE target goals for the Program Management Services Contract (PMC).</li> <li>3. Develop and implement a training program for SFPUC.</li> <li>4. Develop and implement a Project Planning Implementation Plan for each Capital Improvement Program project.</li> <li>5. Develop and implement program control information and tools.</li> <li>6. Perform alternative analysis studies.</li> <li>7. Develop performance metrics criteria and methodology.</li> <li>8. Develop a quality assurance/quality control program for the integrated Capital Improvement Program.</li> </ol>                                              |
| <p><u>Long-term performance measures</u></p> <ol style="list-style-type: none"> <li>1. Realize a net overall program savings of at least 10 percent.</li> <li>2. Complete project designs on schedule.</li> <li>3. Substantially complete construction contracts on schedule.</li> <li>4. Achieve Human Rights Commission goals for MBE and WBE participation in construction contracts.</li> <li>5. Close-out construction contracts within six months of substantial completion.</li> <li>6. Ensure the accuracy of engineers' estimates within 10 percent of the median bid.</li> <li>7. Monitor Capital Improvement Program expenditure progress.</li> <li>8. Reduce SFPUC total "services" costs (program management, engineering, construction management, procurement, etc.) associated with the non-construction aspects of the Capital Improvement Program.</li> </ol> | <p><u>Long-term performance measures</u></p> <ol style="list-style-type: none"> <li>1. Realize a net overall program savings of at least 10 percent.</li> <li>2. Establish and implement a quality assurance/quality control program.</li> <li>3. Implement the Capital Improvement Program.</li> <li>4. Achieve Human Rights Commission goals for MBE and WBE participation in construction contracts.</li> <li>5. Establish performance criteria for design performance metrics.</li> <li>6. Establish Capital Improvement Program management information systems.</li> <li>7. Reduce SFPUC total "services" costs (program management, engineering, construction management, procurement, etc.) associated with the non-construction aspects of the Capital Improvement Program.</li> </ol> |

## Section 4 - PMC Performance Evaluation Chart

Table 4-1  
SFPUC's Evaluation of SFWA / WIP Tasks Orders

| Task Order    | Description                                                                                       | Evaluation Score |
|---------------|---------------------------------------------------------------------------------------------------|------------------|
| PMO 41-2A     | - Initial Funding (Oversight, CIP Organization, Schedule / Cost Summaries for Measure B projects) | 3                |
|               | - PMC Oversight and Contract Management                                                           | 2.5              |
|               | - Update of Long Range Capital Improvement                                                        | 3                |
|               | - Development of Key LR-CIP Procedures                                                            | 3                |
|               | - Formulation of the CIP Organization                                                             | 2                |
|               | - Communications and Public Affairs                                                               | 3                |
|               | - Diversity Program Support                                                                       | 3                |
|               | - Staff Development and Training                                                                  | 3                |
| 42-2          | SFPUC Security Review                                                                             | 1.9              |
| 44-2          | Alameda Siphons - Alternative Analysis                                                            | 2.8              |
| 45-2          | O'Shaughnessy Dam Discharge Modifications - Cost Estimating                                       | 3                |
| 46-2          | Irvington Tunnel Bypass - Alternatives Analysis                                                   | 2.8              |
| 47-2          | Bay Division Pipeline Reliability Improvement - Alternatives Analysis                             | 2.8              |
| 48-2          | Baylands Recover Project - Hazardous Waste Specialist                                             | 3                |
| 49-2          | Reliability Program - Phase III                                                                   | 3                |
| 50-2          | Tesla Portal / Thomas Shaft Facility - Alternative Analysis                                       | 3                |
| 51-2          | Crystal Springs Bypass / Polhemus Tunnel - PE, Geotechnical Investigation                         | 2.9              |
| 52-2          | SEWPCP Bldg 840/860 Improvements - PE Support                                                     | 3                |
| AVERAGE SCORE |                                                                                                   | 2.81             |

This section includes an evaluation summary of the task orders awarded to SFWA / WIP during the first half of the second year of the contract. Table 4-1 lists the various task orders and the performance assessment made by the SFPUC project managers. On the average, these assessments show that the SFWA / WIP met all the requirements of the task order and generally exceeded those set forth by the project manager.

Table 4-1 summarizes the SFPUC evaluation scores. The valuations are as follows:

- 3 = Delivered as Agreed
- 2 = Partial Fulfillment
- 1 = Did not Deliver as Agreed

Table 4-2  
WIP Tasks Orders Currently Underway

| Task Order | Description                                                     | Evaluation Score |
|------------|-----------------------------------------------------------------|------------------|
| PMO        | Program Management Office                                       | 3                |
|            | - Oversight and Contract Administration                         | 3.5              |
|            | - Work Plan Development                                         | 5                |
|            | - Staff & Organizational Development                            | 5                |
|            | - Implementation of the CIP and R&R Organization                | 4                |
|            | - Communications and Public Affairs                             | 3.25             |
|            | - Diversity Program Support                                     | 3                |
|            | - Program Controls                                              | 3.5              |
|            | - Cost Estimating Database                                      | 3.75             |
|            | - Engineering Practices                                         | *                |
|            | - Records Management                                            | 3                |
|            | - Graphics and Audio / Visual Development                       | *                |
|            | - Quality Assurance / Quality Control - Project Quality Program | *                |
|            | - Program Management Plan                                       | *                |
| 55-2       | Bay Division Pipelines                                          | *                |
| 56-2       | Pulgas Dechlorination Project - Inspection                      | *                |
| 57-2       | Bay Division Pipelines - Alternatives Analysis                  | *                |
| 58-2       | Reliability Study - Phase III                                   | *                |
| 59-2       | Stoner Model Validation                                         | *                |
| 60-2       | Crystal Springs Bypass (Polhemus)                               | *                |
| 61-2       | Baden Pump Station - Resident Engineer                          | *                |
| 62-2       | SVWTP I & C Inspection                                          | *                |
| 63-2       | Diversity Program Technical Support                             | *                |

Immediately following the contract assignment to the restructured Jacobs-led joint venture, we submitted several new task orders that were approved by SFPUC. Table 4-2 lists the various task orders awarded to WIP during the second half of the second year of the contract and the performance assessment made by the SFPUC project managers. On the average, these assessments show that the SFWA / WIP met all the requirements of the task order and generally exceeded those set forth by the project manager. PM/CM task orders (55-2 through 63-2) were approved towards the end of this period resulting in start-up delays. Scoring for these task orders will be provided at each respective completion date.

Table 4-2 summarizes the SFPUC evaluation scores. The valuations are as follows

\* = Task In-Progress

5 = Excellent

4 = Exceeds Requirements

3 = Meets Requirements

2 = Needs Improvement

1 = Poor

AMENDMENT OF THE WHOLE - 10/31/01

FILE NO. 011563

RESOLUTION NO. 868-01

[SFPUC Program Management Services Contract with the San Francisco Water Alliance]

**Resolution approving, retroactively, the second year renewal (FY 2001-2002) of the Public Utilities Commission Program Management Services Contract with the San Francisco Water Alliance; releasing \$3,000,000 of the Program Management Office funds.**

WHEREAS, The Program Management Services Contract, CS-524, is an integral part of the SFPUC Capital Improvement Program; and

WHEREAS, The Program Management Services professional services contract was approved by the San Francisco Board of Supervisors on August 28, 2000, for four years with a provision to renew the contract term annually; and

WHEREAS, The Program Management Services Contract must be approved by the San Francisco Board of Supervisors every year and certified by the City Controller; and

WHEREAS, A significant portion of the Fiscal year 2001-2002 funds for the Program Management Office have been put in reserve by the Board of Supervisors; and

WHEREAS, HRC contracting goals of 32% MBE and 11% WBE participation have been established for the second year and approved for this agreement by the HRC Contract Compliance Officer assigned to the SFPUC, and committed to by the San Francisco Water Alliance; and

WHEREAS, The San Francisco Water Alliance has met or exceeded the performance measures set for the first year; and

WHEREAS, HRC has confirmed that the San Francisco Water Alliance is in compliance with Chapter 12B Equal Benefits Requirement; now, therefore, be it

1 RESOLVED, That this Board of Supervisors hereby approves retroactively the second  
2 year renewal of the four-year professional service agreement with the San Francisco Water  
3 Alliance to provide Program Management Services, for an amount not to exceed \$14 million,  
4 for the SFPUC Capital Improvement Program, and, be it

5 FURTHER RESOLVED, That the Board of Supervisors urges the Public Utilities  
6 Commission to amend the contract with the Water Alliance to include specific performance  
7 measures, and, be it

8 FURTHER RESOLVED, That the Board of Supervisors urges that future audits by the  
9 Controller of the Water Alliance contract include detailed reviews, on a sample basis, of the  
10 Alliance's performance on specific task orders; and, be it

11 FURTHER RESOLVED, That the Board of Supervisors urges the Public Utilities  
12 Commission to amend the contract with the Water Alliance so that payment of the incentive  
13 fee be subject to Public Utilities Commission and Board approval; and, be it

14 FURTHER RESOLVED, That the Board of Supervisors urges the Public Utilities  
15 Commission to amend the contract with the Water Alliance to amend the incentive fee goals  
16 for Contract Year 2 to include specifically a quantifiable objective for timely completion of  
17 Public Utilities Commission approved task orders; and, be it

18 FURTHER RESOLVED, That the Board of Supervisors urges that the Controller's  
19 annual audits of Water Alliance contract costs and performance specifically verify the claimed  
20 overall program savings due specifically to the efforts of the Water Alliance, and be it

21 FURTHER RESOLVED, That the Board of Supervisors urges that the audit of  
22 overhead fees by the Bechtel Corporation be rejected by the Public Utilities Commission, and  
23 that a separate, independent audit be prepared by an auditor selected by the Controller, and  
24 that the Water Alliance reimburse the City in full for the cost of such an audit; and, be it  
25

1        FURTHER RESOLVED, That the Board of Supervisors urges the Public Utilities  
2        Commission to explore, with the Department of Human Resources, methods for streamlining  
3        the hiring process for engineers and technical staff, and that the Public Utilities Commission  
4        report back to the Finance Committee on a monthly basis on the status of these efforts; and,  
5        be it

6        FURTHER RESOLVED, That the Board of Supervisors requests that the Public Utilities  
7        Commission forward to the Finance Committee, in writing, a summary of the Public Utilities  
8        Commission's actions in response to this Resolution; and, be it

9        FURTHER RESOLVED, That the Board of Supervisors hereby releases \$3,000,000 of  
10       the Program Management Office funds put in reserve for the fiscal year 2001-2002.



## San Francisco Public Utilities Commission

1155 MARKET ST., 4TH FLOOR, SAN FRANCISCO, CA 94103  
TELEPHONE: (415) 554-2457 • FAX: (415) 554-3161  
EMAIL: WBERRY@SF WATER.ORG • WEB: SF WATER.ORG



### MEMORANDUM

**DATE:** JANUARY 15, 2003

**TO:** ALAN GIBSON, BOARD OF SUPERVISORS BUDGET ANALYST

**FROM:** JEET BAJWA, CIP GROUP, SFPUC

**SUBJECT:** WATER INFRASTRUCTURE PARTNERS CONTRACT

### Planned Program Management Contract Services (PMC) Year 3

| Task Order Descriptions                         | CIP Estimated Value of<br>Planning and Predesign<br>including Support | Start Date | End Date  |
|-------------------------------------------------|-----------------------------------------------------------------------|------------|-----------|
| <b>Regional</b>                                 |                                                                       |            |           |
| Lawrence Livermore Water Treatment              | \$ 27,467                                                             | 11-Nov-02  | 15-Sep-03 |
| Sunol Quarry Reservoirs                         | \$ 116,368                                                            | 11-Nov-02  | 31-Dec-03 |
| Capuchino Valve Lot Capacity                    | \$ 25,572                                                             | 11-Nov-02  | 31-Dec-03 |
| Pipeline Repair Plan and Readiness Improvement  | \$ 3,369,860                                                          | 4-Aug-00   | 28-Sep-04 |
| BDPL # 3 & #4 Cross Connection                  | \$ 140,317                                                            | 1-Jan-03   | 9-Sep-03  |
| HTWTP Short Term Improvements Phase B           | \$ 60,000                                                             | 1-Jan-03   | 7-Oct-03  |
| HTWTP Long Term Improvements                    | \$ 413,832                                                            | 1-Jan-03   | 7-Oct-03  |
| Enlarge Sunol Treatment Capacity to 240 MGD     | \$ 1,320,000                                                          | 1-Jan-03   | 31-Dec-03 |
| San Antonio Pump Station (SAPS) Emergency Power | \$ 52,237                                                             | 7-Apr-03   | 22-Aug-03 |
| Adit Leak Repairs (Crystal Spring/Calaveras)    | \$ 33,964                                                             | 2-Jun-03   | 25-Jul-03 |
| Pilarcitos Forebay Leak Repairs                 | \$ 33,964                                                             | 25-Aug-03  | 17-Oct-03 |
| BDPL #1 & 2 Repair Caisson & Pipe Bridge        | \$ 238,944                                                            | 1-Sep-00   | 7-May-03  |
| Hetch Hetchy Advanced Disinfection UV*          | \$ -                                                                  | 17-Apr-01  | 26-Dec-03 |
| Crystal Springs PS & CS - SA PL Capacity        | \$ 613,372                                                            | 3-Dec-01   | 31-Dec-03 |
| SJPL #4 Phases 2 & 3                            | \$ 3,119,060                                                          | 1-Aug-03   | 31-Jul-04 |
| Irvington Tunnel Alternatives                   | \$ 324,697                                                            | 22-Dec-02  | 30-Jun-03 |
| <b>Total</b>                                    | <b>\$ 9,889,653</b>                                                   |            |           |

WATER SUPPLY PROJECTS - 2002-2003  
 WATER SUPPLY PROJECTS - 2002-2003

|                                                                                                                   |           |                   |                     |
|-------------------------------------------------------------------------------------------------------------------|-----------|-------------------|---------------------|
| <b>Local</b>                                                                                                      |           |                   |                     |
| Summit Pump Station Upgrades                                                                                      | \$        | 67,597            | 16-Sep-02 21-Jul-03 |
| Crocker Amazon Pump Station Upgrades                                                                              | \$        | 41,207            | 11-Nov-02 28-Apr-03 |
| Forrest Knolls Pump Stations Upgrades                                                                             | \$        | 40,480            | 11-Nov-02 21-Jul-03 |
| <b>Total</b>                                                                                                      | <b>\$</b> | <b>149,284</b>    |                     |
| <b>Others</b>                                                                                                     |           |                   |                     |
| Ground Water Projects                                                                                             | \$        | 169,104           | 16-Jun-03 15-Jun-04 |
| Recycled Water                                                                                                    | \$        | 1,052,176         | 14-Jul-03 26-Nov-04 |
| <b>Total</b>                                                                                                      | <b>\$</b> | <b>1,221,280</b>  |                     |
| <b>Grand Total</b>                                                                                                | <b>\$</b> | <b>11,260,216</b> |                     |
| <b>WIP Total for Year 3</b>                                                                                       | <b>\$</b> | <b>5,630,108</b>  |                     |
| PMC Assumption: Work will be split between inhouse staff and WIP on an approximate 50% / 50% basis                |           |                   |                     |
| Other PMC Task Orders to be developed - WIP involvement in the Planning Phase of Priority CIP and A & B projects. |           |                   |                     |
|                                                                                                                   | <b>\$</b> | <b>369,892</b>    |                     |

\* Cost for this project will be determined based on the conclusion of the treatment strategies that will come out from other treatment projects.

CITY AND COUNTY OF SAN FRANCISCO  
**PUBLIC UTILITIES COMMISSION**  
*Human Resource Services*

WILLIE L. BROWN, JR., MAYOR

PATRICIA E. MARTEL, GENERAL MANAGER



ANN MOLLER CAEN  
PRESIDENT  
E. DENNIS NORMANDY  
VICE PRESIDENT  
ASHOK KUMAR BHATT  
JEFFREY CHEN  
ROBERT J. COSTELLO

SAN FRANCISCO  
WATER DEPARTMENT

HETCH HETCHY  
WATER AND POWER

SAN FRANCISCO  
CLEAN WATER PROGRAM

MEMORANDUM

TO: Alan Gibson, Mayor's Budget Office

FROM: Therese Madden, Director, Human Resource Services  
San Francisco Public Utilities Commission

DATE: January 8, 2003

SUBJ: RESPONSE TO INQUIRY  
SFPUC'S PLANS TO FILL VACANT POSITIONS

The executive leadership team of the SFPUC is in the process of identifying the specific staffing levels required to support the future schedule of the CIP. When those decisions have been made, the SFPUC intends to take all necessary steps to fill identified vacancies.

In preparation for those future hiring needs, the SFPUC is currently working to advertise potential future employment opportunities through outreach recruitment efforts. Activities include work with other City agencies on identified recruitment opportunities and other outreach specific to the needs of the CIP. Our goal is to attract the best-qualified candidates to every component of this important project.

In addition, several months ago the SFPUC provided a Staffing Plan to the Department of Human Resources for their assistance in developing a plan for examinations that will support the SFPUC's ongoing hiring needs. While any initial hires identified in a FY 2002-2003 supplemental budget request will be

incorporated into the plan, the plan is primarily intended to address the CIP's near and long term staffing needs. There is mutual recognition that the CIP depends on this support from the Department of Human Resources. Innovative selection activities are being considered and the Department of Human Resources is currently in the process of identifying any needs that they have for additional funding support from the SFPUC.

Also, the SFPUC has streamlined its internal hiring process and is engaged in continuous improvement efforts to identify and implement any additional measures that support the CIP's need to hire qualified candidates in potentially large numbers. In addition to the attention given to internal processes, the SFPUC has conducted training for managers and supervisors who are engaged in the process, ensuring that they have the tools to properly implement those components of the process for which they have responsibility.

A combination of successful partnering with the Department of Human Resources, internal streamlining efforts, and communication with all parties about their responsibilities are actions that the SFPUC believes will support the CIP's hiring needs. The SFPUC expects that when future hiring needs are specified, all involved parties will demonstrate their commitment to the project by working together to fill positions established as necessary for CIP and other operating needs.

CITY AND COUNTY



OF SAN FRANCISCO

**BOARD OF SUPERVISORS**

**BUDGET ANALYST**

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642  
FAX (415) 252-0461

January 30, 2003

**TO:** Finance Committee

**DOCUMENTS DEPT.**

**FROM:** Budget Analyst

**FEB 3 2003**

**SUBJECT:** February 5, 2003 Finance Committee Meeting

**SAN FRANCISCO  
PUBLIC LIBRARY**

Item 1 – File 02-1995

**Note:** This item was continued at the January 29, 2003 Finance Committee Meeting. This report is based on an Amendment of the Whole which was introduced at the January 29, 2003 Finance Committee meeting.

**Departments:** Department of Telecommunications and Information Services (DTIS)  
Emergency Communications Department (ECD)  
San Francisco Police Department (SFPD)  
Treasurer/Tax Collector

**Item:** Ordinance amending the San Francisco Police Code by amending Sections 3702, 3707 through 3710, and 3711 through 3720, by adding Sections 3710.1 through 3710.9 and a new Section 3721, and by re-numbering current Section 3721 as Section 3722, to give the Director of Emergency Communications responsibility for administering the substantive provisions of the Police Emergency Alarm Ordinance and to provide for billing and collection of license and license renewal fees by alarm companies.

**Description:** The proposed ordinance would amend the Police Emergency Alarm Ordinance for the annual licensing of emergency alarm systems for commercial and residential buildings to transfer responsibility for administering the regulatory provisions of the Police Emergency Alarm

Ordinance from the Treasurer/Tax Collector to the Director of the Emergency Communications Department (ECD). This proposed ordinance would also require alarm companies (a) to collect the alarm license fees and license renewal fees from customers and (b) to remit the collected fees to the Treasurer/Tax Collector.

In June of 2002 (File 02-1078), the Board of Supervisors approved a new Police Emergency Alarm Ordinance, which established the following new permits and fees: (i) a \$60 permit for commercial building emergency alarm systems; (ii) a \$40 permit for residential building emergency alarm systems and imposed penalties for false alarms; and (iii) penalty fees to an individual alarm user of \$100 for the second false alarm during the calendar year, \$150 for the third false alarm during the calendar year, \$200 for the fourth false alarm during the calendar year, and \$250 per false alarm for any additional false alarms during the calendar year. Under the proposed ordinance, the aforementioned fee levels would remain the same. However, the proposed ordinance would amend the Police Emergency Alarm Ordinance to require that a license rather than a permit be obtained by commercial and residential alarm users, pro-rate the license fee on a quarterly basis for new licenses obtained after February 1 and add a \$100 penalty for operating a non-licensed alarm system. In addition, the proposed amendments would impose a flat 50 percent penalty for late payment of the license fee. Mr. William Lee of the ECD advises that the proposed ordinance would require a license rather than a permit because the Tax Collector's Licensing System recognizes a "permit" as an authorization instrument with a fee that is charged and paid only one time, whereas, a "license" is recognized as a renewable instrument payable on an annual basis.

Presently, the Police Emergency Alarm Ordinance does not provide for alarm companies to collect permit and permit renewal fees and does not require alarm companies to collect the permit fee from new customers prior to the installation of a new alarm system. Mr. Lee advises that under the provisions of the existing ordinance the Treasurer/Tax Collector is required to attempt to contact each individual alarm user directly to collect the fees. This proposed ordinance would require

BOARD OF SUPERVISORS

BUDGET ANALYST

alarm installation companies (a) to collect the alarm license fees from new customers prior to the installation of a new alarm system and (b) to remit the collected fees to the Treasurer/Tax Collector. This proposed ordinance would require alarm monitoring companies to: (a) send the Treasurer/Tax Collector a complete list of its customers and alarm systems located in San Francisco on the effective date of the ordinance (b) notify and bill existing alarm users for the alarm license fee no later than March 1, 2003, (c) send a follow-up notice to alarm users who have not yet paid the fee in full no later than April 1, 2003, (d) remit the collected fees to the Treasurer/Tax Collector no later than May 1, 2003, (e) bill existing alarm users for the alarm license renewal fee no later than December 1 annually and (f) remit the collected fees, completed license applications and a list of customers who have not paid the fee to the Treasurer/Tax Collector no later than the last day of each month following the month of receipt of the fees. The proposed ordinance further requires both installation and monitoring companies to maintain records of the alarm user's name, the alarm system's location, and the alarm system's license number as assigned by the Treasurer/Tax Collector.

The proposed ordinance would require alarm users to renew their alarm licenses annually prior to the expiration of the license on January 1 of each year. Under the existing ordinance, alarm users are required to submit the renewal fee to the Treasurer/Tax Collector. The proposed ordinance would require alarm users to submit an updated license application and to pay the renewal fee to either the Treasurer/Tax Collector directly or through an alarm monitoring company, who would then remit such fees to the Treasurer/Tax Collector no later than the last day of the month following the month of collection. The proposed amendments provide that alarm monitoring companies are responsible for collecting the alarm license renewal fee from existing customers. However, if an alarm user fails to pay the license fee or license renewal fee to an alarm company, the Treasurer/Tax Collector may assume responsibility for collecting the fee plus any applicable penalties and interest.

BOARD OF SUPERVISORS  
BUDGET ANALYST

As previously noted, a new permit and fee for emergency alarm systems and a new penalty for repeat false alarms by the same alarm system were approved by the Board of Supervisors. Of the estimated 60,000 alarms necessitating a Police Department response annually, an estimated 96 percent, or 57,600, are false alarms. Because the City has a policy of 100 percent response to all alarms, the Police Department responds to each of the estimated 60,000 alarms at commercial and residential buildings each year, which costs the Police Department over \$3.5 million annually, according to the Controller's Office. The alarm license fee and false alarm penalty revenues, estimated by the Controller's Office to be \$1,950,835, were included in ECD's FY 2002-2003 budget to cover the cost of a new informational technology (IT) system for licensing and for the billing and the collection of the license and license renewal fees, new collections personnel in the Treasurer/Tax Collector's Office and to more fully cover the cost of Police response to false alarms. However, as reported to the Board of Supervisors' Budget Committee in June of 2002, even if all of the projected revenues of \$1,950,835 for the Alarm Fee and False Alarm Penalty Fee were realized, such revenues would still only recover approximately 51.5 percent of the total estimated cost to the General Fund of \$3,790,592 to respond to false alarms and to administer the licenses. The balance of an estimated \$1,839,757 would remain a cost to the General Fund. The Budget Analyst notes that all of the costs associated with responding to false alarms are currently borne by the General Fund.

Comments:

1. Mr. Lee states that none of the existing alarm fees and penalties previously approved by the Board of Supervisors in June 2002 have been either billed or collected from alarm users and therefore no revenues have been collected in FY 2002-2003 because of the difficulties in locating and contacting the estimated 30,000 individual alarm users. Therefore, Mr. Lee advises, the proposed amendments to the Police Emergency Alarm Ordinance include a new provision that requires alarm monitoring companies (a) to collect the license and license renewal fees from alarm users and issue license applications to such users in order to facilitate locating and billing the individual alarm users and (b) to remit such fees to the Treasurer/Tax Collector. As noted above, if an alarm user

BOARD OF SUPERVISORS

BUDGET ANALYST

fails to pay the license fee or license renewal fee to an alarm company the Treasurer/Tax Collector may assume responsibility for collecting the fee plus any applicable penalties and interest. Also, as stated above, the proposed ordinance requires alarm installation companies to collect the license fee from new customers prior to the installation of a new alarm system and to remit all fees collected to the Treasurer/Tax Collector. Ms. Shana Margolis of the Treasurer/Tax Collector's Office reports that the Treasurer/Tax Collector's Office will begin collecting the license fees as of May 1, 2003.

2. According to Ms. Marla Taylor of the Controller's Office, emergency alarm fee revenues for FY 2002-2003 are currently estimated at \$1,000,000, including no revenues estimated for the False Alarm Penalty Fee. This new estimate of \$1,000,000 is \$950,835 or 48.7 percent less than the prior estimate of \$1,950,835 included in ECD's FY 2002-2003 budget.

3. The FY 2002-2003 budget appropriated total expenditures of \$272,146 for the implementation of the Police Emergency Alarm Ordinance. These expenditures included (a) \$3,160 for supplies for training for Police personnel; (b) \$95,252 for Treasurer/Tax Collector personnel and materials & supplies including 0.25 new FTE 4308 Senior Collections Officer and 1.5 (2 positions) new FTE 1630 Account Clerks, three new computers, three chairs and three desks for the new personnel; (c) \$75,000 for enhancements to the ECD informational technology (IT) system to be implemented by the Department of Telecommunications and Information Services (DTIS); (d) \$75,000 for DTIS to implement the billing and collection system for Treasurer/Tax Collector; and (e) \$23,734 for Police Overtime for training.

4. Mr. Bink Feldkamp of DTIS reports that DTIS is in the process of developing the IT system for licensing and for the billing by the Treasurer/Tax Collector and the collection of license and license renewal fees by the Treasurer/Tax Collector. Mr. Feldkamp further reports that as of December 31, 2002, approximately \$35,000 had been expended on the IT system. DTIS has expended the \$35,000 on: (a) initial analysis of the system requirements and the ordinance itself, (b) attending and participating

BOARD OF SUPERVISORS

BUDGET ANALYST

in the various meetings, (c) reviewing options for an IT solution, (d) developing a requirements scope document, and (e) beginning the development of the final system. According to Mr. Lee, none of the remaining \$237,146 (\$272,146 less \$35,000) included in the FY 2002-2003 budget for has been expended. Mr. Lee further reports that none of the 1.75 FTEs representing three new positions, as listed above, who will be responsible for the billing and collection of the license and license renewal fees in the Treasurer/Tax Collector's Office, have been filled.

5. Mr. Lee reports that the proposed amendments to the Police Emergency Alarm Ordinance provide for the transfer of responsibility for administering the regulatory functions of the Police Emergency Alarm Ordinance from the Treasurer/Tax Collector to the ECD because the Treasurer/Tax Collector has responsibility for billing and collection functions. Under the proposed amendments, Mr. Lee advises that ECD would be the direct contact for alarm users and alarm companies for hearings and appeals for penalties and/or revocation of an alarm license. Presently, the Treasurer/Tax Collector has responsibility for those regulatory responsibilities. Ms. Margolis advises that the new 4308 Senior Collections Officer (0.25 FTE in FY 2002-2003) and two new 1630 Account Clerks (1.5 FTE in FY 2002-2003) were authorized specifically to be responsible for the billing and collection of the fees, fee renewals and penalties in accordance with the Police Emergency Alarm Ordinance. Ms. Margolis reports that the bulk of the billings and collections work will pertain to penalties charged for false alarms and not to the annual licensing for the alarm systems.

6. The Budget Analyst notes that the three positions were designated as L, or limited tenure, positions in the FY 2002-2003 budget. The Budget Analyst recommended the three positions be limited tenure positions because workload data was not available for the new positions. Therefore, the Budget Analyst recommended that the positions be evaluated after the Police Emergency Alarm Ordinance is implemented to determine the staffing requirements based on actual workload data. The Budget Analyst will review the three positions as well as any

BOARD OF SUPERVISORS

BUDGET ANALYST

additional budget requests related to this ordinance as part of the annual budget review for FY 2003-2004.

**Recommendation:** Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

Item 2 - File 03-0003

Note: This item was continued by the Finance Committee at its meeting of January 29, 2003.

**Departments:** Department of Administrative Services, Real Estate Division  
Municipal Transportation Agency  
Arts Commission

**Item:** Resolution approving the sale by the Arts Commission of real property located at 1345 Turk and 1140 Fillmore Streets to the San Francisco Redevelopment Agency for \$900,000; approving the interdepartmental transfer of jurisdiction over 1345 Turk from the Municipal Transportation Agency (MUNI) to the City's Arts Commission; authorizing the Director of Property to enter into an Agreement, for the Sale of Real Property currently under the jurisdiction of the MUNI and the Arts Commission, with the San Francisco Redevelopment Agency for the sale to the Redevelopment Agency of such real property for the development of affordable housing and other public beneficial uses.

**Property:** 1345 Turk Street (the MUNI parcel)  
1140 Fillmore Street (the Arts Commission parcel)

**Buyer:** Redevelopment Agency

**Seller:** Arts Commission

**Sale Price:** \$900,000

**Description:** The proposed resolution authorizes (1) the interdepartmental transfer of 1345 Turk Street from the MTA to the City's Arts Commission, (2) the sale of 1345 Turk Street and 1140 Fillmore Street by the Arts Commission to the Redevelopment Agency for \$900,000, (3) the allocation of the net sale proceeds of \$900,000, including \$633,902 to the MUNI and \$241,098 to the Arts Commission, after deducting fees of \$20,000 for the City Attorney's Office and \$5,000 for the Real Estate Division for the cost of completing the transaction, and (4) the execution by the Director of Property on behalf of the City

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

of the Agreement for the Sale of Real Property (the Agreement) by the Arts Commission to the Redevelopment Agency.

The proposed resolution also would adopt the Planning Department's May 3, 2002 determination that the sale of the subject properties by the Arts Commission to the Redevelopment Agency would not require Environmental Review and is consistent with the eight Priority Policies of the Planning Code.

**Comments:**

1. As shown in Attachment I to this report, 1345 Turk Street and 1140 Fillmore Street are adjacent properties. The property at 1345 Turk Street (the MUNI parcel) is currently under the jurisdiction of the City's Municipal Transportation Agency (MUNI), formerly the City's Public Transportation Commission. The Public Transportation Commission adopted Resolution No. 99-090 on September 7, 1999 to authorize the transfer of 1345 Turk Street to the Arts Commission for the primary use and development of affordable housing, art and community uses, and other publicly beneficial uses. As noted above, the proposed resolution would execute this transfer. The MUNI parcel consists of approximately 23,926 square feet, with a vacant two-story building formerly used as office space by the MUNI. According to Mr. Larry Ritter of the Real Estate Division, this building was damaged in a fire approximately four years ago and has since been vacant. The property at 1140 Fillmore Street (the Arts Commission parcel) consists of approximately 9,101 square feet, with a vacant unreinforced masonry building formerly used as a MUNI power substation. On April 23, 1979 this building was designated City Landmark No. 105.

According to a Seismic Evaluation Report, prepared by a consultant for the Redevelopment Agency in September of 2001, the estimated cost of retrofitting the MUNI substation is \$1,300,000. As noted above, the unreinforced masonry building is a City Landmark and cannot be demolished. Therefore, the structure would first need to be retrofitted for seismic safety in order for the structure to be reused.

BOARD OF SUPERVISORS  
BUDGET ANALYST

2. According to Mr. Albert Luis of the Redevelopment Agency and as described in more detail in Attachment II to this report, the Redevelopment Agency would issue two Requests For Qualifications (RFQs) for the two subject properties: 1) to develop affordable rental housing to be constructed on the MUNI parcel and 2) to rehabilitate and reuse the City Landmark formerly used as the MUNI substation, which has been designated as a City Landmark, for commercial/retail uses. Mr. Luis notes that the issuance of the RFQs would require the approval of the Arts Commission. Additionally, according to Mr. Donnell Choy of the City Attorney's Office, the approval of the Board of Supervisors would be required for the disposition or long-term lease of the subject properties for development because the Redevelopment Agency would purchase the subject properties from the Arts Commission using Tax Increment Bond proceeds, secured by Tax Increment funds.

3. According to Mr. Luis, the Redevelopment plans to develop affordable housing on the MUNI parcel and an adaptive reuse project with retail and commercial uses on the Arts Commission parcel. Mr. Luis notes that developing housing on the MUNI parcel is separate from the retrofit of the MUNI substation on the Arts Commission parcel and therefore these projects may be conducted at separate times.

4. The proposed resolution states that the \$900,000 in sale proceeds would be allocated between the MUNI and the Arts Commission, after deducting fees to the City Attorney's Office and the Real Estate Division for the cost of completing the transaction, in proportion to the gross square feet of land for each parcel that was under their prospective jurisdictions prior to the adoption of this subject resolution. The proceeds of the proposed sale would be distributed as follows: (a) MUNI - \$633,902, (b) Arts Commission / General Fund - \$241,098, (c) the City Attorney - \$20,000, (d) the Real Estate Division - \$5,000. According to Mr. Ben Rosenfield of the Mayor's Budget Office, the FY 2002-2003 Budget, as previously approved by the Board of Supervisors, included the \$900,000 in proceeds from the proposed parcel sales.

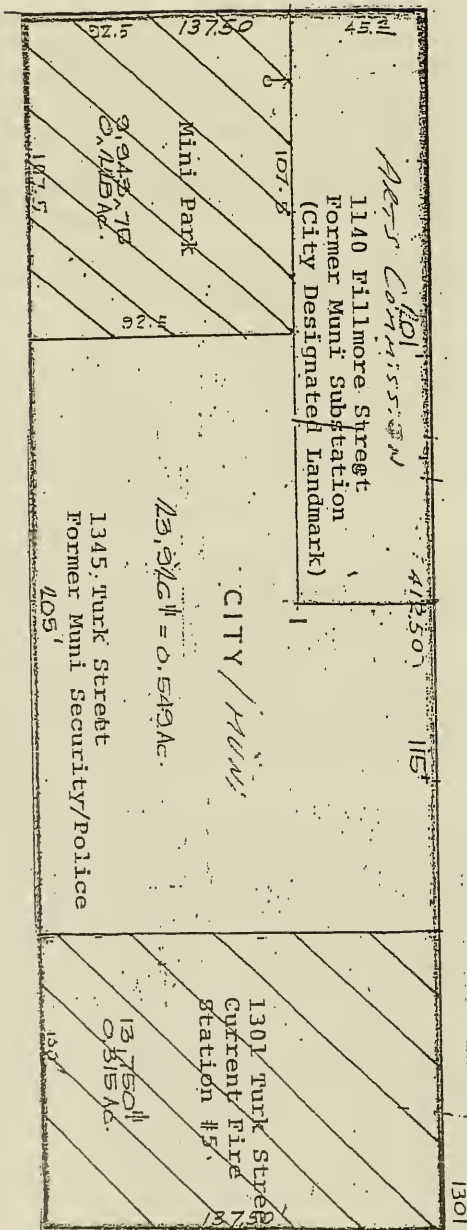
5. This item was continued by the Finance Committee at its meeting of January 29, 2003. The Finance Committee requested that the Real Estate Division provide a written appraisal of the subject property. As of the writing of this report, the Real Estate Division had not provided such a written appraisal. According to Mr. Ritter, the Real Estate Division will provide a written appraisal prior to the Finance Committee's meeting of February 5, 2003.

**Recommendation:** Approval of the proposed resolution is a policy matter for the Board of Supervisors.

FILLMORE

AKS Commission 9100 ± sq ft.  
 Municipal Transportation Agency (Muni)  
 23,926 ± sq ft.

TURK



GOLDEN GATE AVE.

WEBSTER

DATE: January 16, 2003  
108-01003-136

TO: Elaine Forbes  
Budget Analyst  
City and County of San Francisco

FROM: Albert J. Luis  
Senior Development Specialist  
Redevelopment Agency of the  
City and County of San Francisco ("Agency")

SUBJECT: Acquisition of the Muni Substation Site (the "Property")  
@ Fillmore and Turk Streets by the Agency  
Assessor's Block 0756, Lot1 (portion)  
1345 Turk Street / 1140 Fillmore Street

The Agency's detailed plans and activities after its acquisition of the Property, including the RFP process, and the timeline(s) involved, are outlined as follows:

A. After Agency acquisition of the Property, which will occur approximately two to three weeks after the Board of Supervisors' ("Board") approval of the sale / purchase transaction, the Agency will immediately enclose the Property with an 8-foot high, chain-link fence, together with a lockable gate which will be located on Turk Street. The existing windows of the brick substation building (which are easily accessible to trespassers) will be secured with strong metal screens or grates. The other windows and openings will be secured with less durable materials to keep pigeons and other birds out. The Property will then be cleared of all unsightly trash, weeds, and rubbish. Also, all trash within the interior of the substation building will be swept clean and bird droppings will be removed.

B. Thereafter, access to the Property will be available to Agency consultants and contractors to perform: (1) an ALTA survey; (2) work necessary for the filing of a parcel map (set corners / monuments, etc.); (3) studies on the proposed structural seismic retrofit of the substation building; and (4) a Phase Two soils/geotechnical testing if warranted by the outcome of the Phase One report that is currently underway.

C. The two-story wood frame building on the Muni parcel will be demolished in its entirety, since over half of it was destroyed by fire and is of no feasible use in its present condition. This demolition process will be advertised for bids, and bids received will be reviewed before the awarding of a contract in accordance with the Agency's procurement policies. The substation building will be retrofitted pursuant to the recommendation(s) of the studies mentioned above. This work will also be advertised in a manner similar to the demolition process and Agency practice.

D. A Request for Qualifications and/or Request for Proposals (the "RFQ/P") process for development of the Property will begin immediately after the Agency takes title to the

Property. The Agency intends to prepare and issue two separate RFQ/P documents for solicitation of proposals before awarding of exclusive negotiations with a qualified developer.

One RFQ/P will be issued for the Muni parcel, which will solicit a developer for affordable rental housing under the Agency's affordable housing program. With respect to the affordable housing program proposed for this parcel, the project would likely include family rental housing that would be affordable to households up to 50% of median income.

The other RFQ/P that will be issued will be for the adaptive reuse of the substation parcel. According to the Western Addition Area A-2 Redevelopment Plan, the permitted land use designation for this parcel is "Community Commercial Shopping". This land use designation includes cultural institutions. A complete list of permitted uses is shown in the Redevelopment Plan itself.

During the RFQ/P process, continued community review and advisory input will be accomplished through a series of community meetings. In addition, before Redevelopment Commission approval of the issuance of either the RFQ/P, draft documents will be sent to the S.F. Arts Commission (pursuant to the terms and provisions in the sales agreement between the City and the Agency) for its review and comment. After approval by the Redevelopment Commission, the RFQ/P will then be advertised and notices will be sent to prospective developers that are on the Agency's mailing lists. The ensuing process and estimated time to accomplish these activities will range from three to six months (±) before selection of any developer(s).

The RFQ/Ps may be issued on a parallel course, but presentations to the Redevelopment Commission for approval, issuance of the RFQ/P to the public, and the selection of a developer for any exclusive negotiations could occur at different times. The total timeline for completion of the above due diligence activities before construction can begin on the Property is estimated to be one to two years after acquisition of the Property by the Agency.

In response to your second question, the source of the purchase price for the acquisition of this Property is from proceeds from tax-exempt bonds, secured by tax-increment funds. Therefore, pursuant to Section 33433, the Agency will be required to obtain the Board's approval for the disposition or long-term lease of the Property. The Agency intends to hold fee title to the Property and then ground lease the airspace for the construction of both the housing component and the adaptive reuse of the substation. As required by the Board, any ground lease agreements will require Board approval, after the initial disposition approval, consistent with the scope of the Board's review pursuant to Section 33433, in the event of the sale of the improvements to an entity not affiliated with the entity involved in the initial disposition.

Should you have any questions or comments, please advise.

c: Marcia Rosen, Joanne Sakai

Item 3 - File 02-0641

**Department:** Municipal Transportation Agency (Muni)  
Department of Parking and Traffic (DPT)

**Item:** Ordinance amending San Francisco Traffic Code Section 314 exempting owners of electric or other clean air vehicles from residential parking permit fees.

**Description:** Currently, the Department of Parking and Traffic issues Residential Parking Permits to any legal resident of a designated Residential Parking Permit area in San Francisco if such residents possess a vehicle registered with the State of California Department of Motor Vehicles (DMV). According to Ms. Lori Giorgi of the City Attorney's Office, a legal resident appears to be defined under Section 303 of the Traffic Code as an individual who either owns at least a quarter interest in the property or leases the property within a Residential Parking Permit area. A resident vehicle is a motor vehicle, defined by Section 303 of the Traffic Code as an automobile, truck, motorcycle, or other self propelled form of transportation with less than 6,500 pounds of gross vehicle weight, parked in the residential area in which it is registered with the DMV. The residential parking permit issued by the DPT allows that resident vehicle to be parked in the residential parking permit area in which the permit was issued pursuant to Article 15 of the Traffic Code. Each parking permit issued by the DPT is valid for one year from the date established by DPT.

Pursuant to Section 314 of the Traffic Code, the fee for the issuance of the Residential Parking Permit is \$27.00 annually if purchased in the first six months of the DPT approved permit year, or \$13.50 if purchased in the last six months of the DPT approved permit year. Of the subject Residential Parking Permit fees, \$5.00 of the \$27.00 fee and \$2.00 of the \$13.50 fee is deposited into the City's Road Fund to finance a portion of DPT's expenditures for engineering studies, sign installations and sign maintenance associated with the Residential Permit Parking Program. The remaining \$22.00 and \$11.50, respectively, of the Residential Parking Permit fees are allocated to the General Fund. According to Ms.

BOARD OF SUPERVISORS  
BUDGET ANALYST

Hammons, DPT issues approximately 85,000 Residential Parking Permits annually. According to Ms. Hammons, the actual FY 2001-2002 revenue from the issuance of the Residential Permit Parking Permits was \$2,846,759, and the estimated FY 2002-2003 revenue from such permits is \$2,645,117

According to Ms. Giorgi, the proposed ordinance would amend Section 314 of the San Francisco Traffic Code by adding a provision which would exempt resident-owners of electric or clean air vehicles from paying Residential Parking Permit fees. Ms. Giorgi states that, as defined by the California State Vehicle Code, vehicles that would qualify as electric or clean air vehicles are:

- Vehicles that are operated by electricity, compressed natural gas, or other alternative fuels that meet Federal low emissions vehicle standards and California emission standards for ultra low emissions, super ultra-low emissions or zero emissions;
- Vehicles displaying a valid Ultra Low Emissions Vehicle or Super Ultra Low Emissions Vehicle decal, label or other identifier issued by the DMV.
- Ultra high mileage vehicles, defined by the State Vehicle Code as registered vehicles that achieve 40 or more city miles per gallon based on mileage estimates for the vehicles listed by the Federal Environmental Protection Agency.

The Office of the Sponsor advises that the purpose of the proposed ordinance is to encourage City residents to use clean air and electric vehicles to minimize or eliminate the production of air pollution in the City resulting from commuting vehicles.

**Comments:**

1. Currently, DPT also issues residential parking permits to 1) legal residents exclusively using employer owned or leased vehicles, 2) commercial property and business owners within a residential permit parking area, 3) legal residents renting a motor vehicle, and 4) legal residents for use by visitors for no more than 14 days. According to Ms. Giorgi, the proposed ordinance to exempt owners of electric or other clean air vehicles from the residential parking permit would apply to all four categories above.

2. According to Mr. Gary Occhiuzzo of the State Department of Energy, the number of "light" duty vehicles, defined by the State Department of Energy as an automobile or truck with less than 10,000 pounds of gross vehicle weight, registered with the DMV as of October 2001 within the nine Bay Area counties is 4,976,391, of which an estimated 24,160, or 0.48 percent are clean air or electric vehicles. According to Mr. Occhiuzzo, there are 420,477 "light" duty vehicles registered with the DMV in San Francisco as of October 2001. If the percentage of clean air or electric vehicles within the nine Bay Area counties is applied to the 420,477 registered "light" duty vehicles in San Francisco, the Budget Analyst estimates that the number of clean air or electric vehicles that may be eligible for the Residential Parking Permit exemption is 2,018 (420,477 registered vehicles in San Francisco x 0.48%). Therefore, the estimated maximum total reduction in revenues to the City if this proposed ordinance is approved, would be \$54,486 annually (2,018 clean air and electric vehicles x a maximum \$27.00 annual parking permit fee).<sup>1</sup> However, it is unlikely that all of the estimated 2,018 clean air or electric vehicles would be registered to residents within Residential Parking Permit areas. Therefore, the actual amount of the reduced revenues to the City would likely be less than \$54,486. However, the total amount of reduced revenues to the City would increase if the number of clean air and electric vehicles, registered to residents within residential parking permit areas, increases. As of the writing of this report, Ms. Diana Hammons of the DPT was unable to estimate future potential reduced revenues to the City if the proposed ordinance is approved.

3. According to Ms. Hammons, owners of electric or clean air vehicles applying for a residential parking permit would be required to show proof of eligibility for the residential parking permit exemption. As stated in the Attachment, provided by Ms. Hammons, "given the information provided, DPT is unable to determine the increase in administrative costs associated with the

---

<sup>1</sup> The Budget Analyst notes that the estimate does not include ultra high mileage vehicles because, according to Mr. Occhiuzzo, the number of ultra high mileage vehicles registered with the DMV as of October 2001 in the nine Bay Area counties is not currently available.

implementation of this ordinance. Currently, DPT does not have access to records that would provide verification of a specific vehicle meeting the standards set forward in the proposed legislation. In addition, it has not been established where this information may be obtained or how much time would be required to investigate each request." Ms. Hammons advises that she cannot state whether or not DPT will need to request additional funds to administer this ordinance.

4. According to the Office of the Sponsor an amendment of the whole will be submitted at the Finance Committee meeting on February 5, 2003. The Budget Analyst is advised that the amendment would add a two-year sunset provision for the subject clean air and electric vehicle residential parking permit fee exemption, to allow the DPT to evaluate changes in Department revenues and to evaluate any additional administrative costs as a result of this proposed ordinance.

**Recommendation:** Approval of the proposed ordinance is a policy decision for the Board of Supervisors.



MILLIE LEWIS BROWN, JR., Mayor  
FRED M. HAMDUN, EXECUTIVE DIRECTOR

## MEMORANDUM

**TO:** Harvey Rose, Budget Analyst  
**FROM:** Fred M. Hamdun  
**DATE:** January 29, 2003  
**RE:** File No. 02-0641

The Department of Parking and Traffic has been requested by the Budget Analyst to provide information on the implementation and increased administrative costs associated with File No.02-0641, waiving the S27 Residential Parking Permit fee for low emission, ultra high mileage, compressed natural gas and electric vehicles.

It is not possible, given the information provided, DPT is unable to determine the increase in administrative costs associated with the implementation of this ordinance. Currently, DPT does not have access to records that would provide verification of a specific vehicle meeting the standards set forward in the proposed legislation. In addition, it has not been established where this information may be obtained or how much time would be required to investigate each request. Diverting staff from processing fee paying accounts would negatively impact customer service, although the level of impact is unknown.

Item 4 – File 03-0102

**Department:** Department of Public Works (DPW)

**Item:** Resolution authorizing the Department of Public Works to retroactively accept and expend a grant in the amount of \$8,438,760 in Federal Highway Bridge Replacement and Rehabilitation program funds, \$9,977,898 in Federal Seismic funds, and \$2,494,475 in State Seismic funds, for a total of \$20,911,133 in grant funds from the Federal Department of Transportation through the State Department of Transportation (Caltrans) to seismically retrofit and rehabilitate the Fourth Street Bridge over the Mission Bay Channel Waterway in China Basin.

**Funding Sources,  
Amounts, and  
Grant Periods:**

| <u>Grant Title</u>                                            | <u>Grant Period</u>             | <u>Amount</u>       |
|---------------------------------------------------------------|---------------------------------|---------------------|
| Federal Highway Bridge Replacement and Rehabilitation program | January 1, 2003 – March 1, 2006 | \$8,438,760         |
| Federal Seismic program                                       | January 1, 2003 – March 1, 2006 | 9,977,898           |
| State Seismic program                                         | January 1, 2003 – March 1, 2006 | <u>2,494,475</u>    |
|                                                               | Total                           | <b>\$20,911,133</b> |

**Required Match:** \$7,130,000 from the State Transportation Improvement Fund (see Comment No. 2).

**Indirect Costs:** None included (see Comment No. 2).

**Budget and  
Description:**

A summary budget for the subject grant funds of \$20,911,134, the matching funds of \$7,130,000, and \$1,892,591 from previously approved grants, Proposition B Sales Tax, and City General Fund sources, for a total of \$29,933,725, to be used for the proposed retrofit and rehabilitation of the Fourth Street Bridge Project, is as follows:

| <u>Fourth Street Bridge Project</u>         |                     |
|---------------------------------------------|---------------------|
| Construction                                | \$16,978,570        |
| 10% Construction Contingency                | 1,697,857           |
| Construction Management and Engineering     | 3,867,955           |
| Preliminary Engineering/Planning and Design | 2,807,437           |
| Right of Way Procurement                    | 62,000              |
| Grant Contingency (see Comment No. 6)       | <u>4,519,906</u>    |
| <b>Total</b>                                | <b>\$29,933,725</b> |

Attachment I to this report provided by Ms. Anna LaForte of the DPW, provides a more detailed budget and description of the proposed expenditures.

According to Ms. LaForte, the Fourth Street Bridge was constructed across the Mission Creek Waterway at China Basin in 1917. Ms. LaForte states that the primary objective of the proposed Fourth Street Bridge Project is to seismically retrofit and rehabilitate the Fourth Street Bridge and its approaches. The scope of work for the proposed Fourth Street Bridge project includes the following:

- (1) Retrofit the liftable portion of the bridge and operator house;
- (2) Rehabilitate mechanical and electrical components to bring up to current codes and regulations;
- (3) Apply coating systems to deteriorated steel members;
- (4) Replace deteriorated steel member beams;
- (5) Replace the concrete counterweight with a lighter counterweight and construct a pit beneath the north approach that will house the new counterweight; and
- (6) Perform MUNI light rail track work and electrification work.

**Comments:**

1. According to Ms. LaForte, and as shown in Attachment II to this report, prior to the subject request to accept and

BOARD OF SUPERVISORS  
BUDGET ANALYST

expend \$20,911,133 in Federal and State grants, the DPW has previously received funding totaling \$10,103,737 for the Fourth Street Bridge project, including \$7,253,000 in State Transportation Improvement Program grant funds for the required local match for the project, \$1,429,400 in Federal and State grants, \$262,000 in Proposition B Sales Tax funds, \$882,237 in General Fund appropriations, and \$277,000 from MUNI. These funds have previously been approved by the Board of Supervisors.

Ms. LaForte advises that the total Fourth Street Bridge Project is estimated to cost \$29,933,725 for which the DPW has secured \$31,014,870 in funding, including the subject grant funds of \$20,911,133 and previously received funding of \$10,103,737 described above. Ms. LaForte notes that the \$31,014,870 in secured funding includes \$882,237 from the City's General Fund, previously appropriated by the Board of Supervisors in the FY 1999-2000 and FY 2000-2001 budgets. Ms. LaForte advises that because the available funding for the Fourth Street Bridge Project of \$31,014,870 exceeds the total estimated project budget of \$29,933,725 by \$1,081,145, upon approval of the subject resolution, the DPW anticipates that it will be able to return \$393,504 to the General Fund which is the uncommitted portion of the \$882,237 General Fund contribution. The Budget Analyst therefore recommends that the Finance Committee request that the Controller transfer \$393,504 of the unexpended funds from the prior appropriation to the General Fund Reserve for FY 2002-2003.

The Budget Analyst questioned why the DPW could not refund the entire \$882,237 of General Fund support. Ms. LaForte states, as shown in Attachment III to this report, that

"To date, \$364,133 in General Fund monies have been spent on the 4<sup>th</sup> Street Bridge project. [These are] costs that were either ineligible for reimbursement with grant funds or which DPW incurred prior [to] receiving authorization from Caltrans to expend grant funds on the 4<sup>th</sup> Street Bridge project. In addition to the \$364,133 in General fund monies that have already been spent

on the 4<sup>th</sup> Street Bridge project, DPW is retaining \$124,600 of the General Fund appropriation to pay for any additional costs during the preliminary engineering and design phase of the project which may be ineligible for reimbursement by grant funds" (\$393,504 plus \$364,133 plus \$124,600 equals total General Fund contribution of \$882,237).

In addition to the explanation provided in Attachment III, Ms. LaForte stated to the Budget Analyst that, pending a DPW accounting review of General Fund expenditures for potential reimbursement from grant funds, some of the \$364,133 expended from General Fund appropriations may be eligible for reimbursement from grant funds. The Budget Analyst therefore recommends that \$364,133 in the subject grant funds be reserved pending a report from the DPW on eligible General Fund reimbursements.

Because the DPW cannot yet identify costs that would be ineligible for reimbursement by the grants and would therefore require expenditures from the General Fund appropriation, the Budget Analyst recommends that \$124,600 in the subject grant funds also be reserved pending a report from the DPW on the amount of these funds not used for documented ineligible costs. Therefore, the Budget Analyst recommends total reserves in the amount of \$488,733 (\$364,133 plus \$124,600) pending a full determination of the amount of funds that can be reimbursed or returned to the General Fund.

2. Ms. LaForte states that the required match of \$7,130,000 for the subject grant funds is comprised of grants from the State Transportation Improvement Fund, previously approved by the Board of Supervisors, including \$6,300,000 approved March 2, 2001 (File No. 01-003) and \$953,000 approved December 30, 1999 (File No. 99-2162), for a total of \$7,253,000, or \$120,000 more than the required match. Ms. LaForte states that the remaining \$120,000 of such State grant funds was used as matching funds for a Federal Seismic and State Seismic grant, previously approved by the Board of Supervisors in File No. 453-92 for the first portion of preliminary engineering for the Fourth Street Bridge Project.

Ms. LaForte reports that the proposed resolution on page 2, line 5 incorrectly states that the required local match is \$7,109,690, when the required local match for the subject grant funds is \$7,130,000. The Budget Analyst therefore recommends amending the proposed resolution to accurately state that required local match is \$7,130,000 on page 2, line 5. Ms. LaForte advises that the subject grants do not include indirect costs because the granting agencies prohibit the inclusion of indirect costs.

3. Ms. LaForte states that the DPW has already expended \$14,900 of the subject grant funds for Right of Way acquisition. Therefore, the DPW is requesting retroactive authorization to accept and expend the subject grant funds. The Budget Analyst notes that the subject resolution does not request retroactivity in the Resolved Clause and therefore recommends amending the resolution to include the word "retroactively" on page 2, line 9 in accordance with the DPW's request.

4. Ms. LaForte advises that the DPW positions listed in Attachment I of this report, who will provide construction management and engineering services for the Fourth Street Bridge Project, are coded O (off budget) and these positions will continue after the completion of the Fourth Street Bridge Project to complete other projects, to be funded by other funding sources. During the Fourth Street Bridge Project, the proposed subject grant funds will reimburse the City for such positions for the amounts detailed in Attachment I to this report.

5. On August 17, 2002, the DPW put the construction contract for the Fourth Street Bridge project out to competitive bid and intends to award the contract to Mitchell Engineering/Obayashi Corporation, JV, the lowest responsible bidder, in February of 2003, according to Ms. LaForte. Attachment IV to this report, provided by Ms. LaForte, is a list of the six bidders and the bid amounts.

6. The Budget Analyst questioned the need for a grant contingency of \$4,519,906, as identified in Attachment II to this report provided by Ms. LaForte, since (a) the

Fourth Street Bridge Project budget already includes a 10% construction contingency of \$1,697,857 and (b) the DPW has secured \$1,081,145 of funding in excess of the total estimated project budget of \$29,933,725. Ms. LaForte advises that the contingency of \$4,519,906 is prudent due to the historic aspect of the project, combined with underwater construction and the MUNI light rail system that crosses the drawbridge. Ms. LaForte has provided an explanation of the justification for this grant contingency which is shown in Attachment V to this report. The Budget Analyst has reviewed this justification and finds that a grant contingency of \$4,519,906 is reasonable.

7. Attachment VI is the Department of the Public Work's Grant Application Information Form, which includes the Disability Access Checklist.

**Recommendations:**

1. In accordance with Comment No. 1, request that the Controller transfer \$393,504 in unexpended General Fund appropriations to the FY 2002-2003 General Fund Reserve.
2. In accordance with Comment No. 1, reserve total grant funds in the amount of \$488,733 pending a final determination of the amount of funds that can be reimbursed or returned to the General Fund.
3. In accordance with Comment No. 2, amend the proposed resolution on page 2, line 5 to accurately state that the required local match is \$7,130,000 and not \$7,109,690.
4. In accordance with Comment No. 3, add "retroactively" to page 2 line 9 to provide for retroactive approval.
5. Approve the proposed resolution, as amended.

#### 4TH STREET BRIDGE SEISMIC RETROFIT AND REHABILITATION

| Construction - Tasks                                                                                                                                                           | Bid                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Allowances - Includes allowances for testing & disposal of contaminated soils, supplemental bridge work, trench & excavation shoring, sewer discharge fees, mobilization, etc. | \$1,810,000         |
| Traffic Routing - Includes traffic supervisor, pedestrian monitors, striping, tape striping, pavement markers, traffic signs, etc.                                             | 403,109             |
| Temporary Traffic Signal Work - Includes temporary traffic signals and signal testing                                                                                          | 88,478              |
| Contaminated Soils - Includes transportation and disposal of hazardous waste                                                                                                   | 341,000             |
| AWSS Work - AWSS Relocation                                                                                                                                                    | 39,045              |
| Mechanical - Plumbing and Utility Work - Utility, ductile iron and sewage piping and suction hydrants                                                                          | 38,797              |
| Bridge Seismic Retrofit & Rehabilitation - Bridge removal, temp. support, tie driving, reinforcing steel, bridge mechanical and electrical work                                | 13,111,267          |
| Muni Track Work - Includes light rail track work, furnish & erect structural steel, traction electrification work, etc.                                                        | 1,093,574           |
| Track Pavement Work - Special concrete pavement within tracks                                                                                                                  | 53,300              |
| <b>Total Construction</b>                                                                                                                                                      | <b>\$16,978,570</b> |

## 4TH STREET BRIDGE SEISMIC RETROFIT AND REHABILITATION

| Construction Management and Engineering                | Classification | Hours   | \$/Hour | Subtotal    |
|--------------------------------------------------------|----------------|---------|---------|-------------|
| <i>City Personnel</i>                                  |                |         |         |             |
| Project Manager II                                     | 5504           | 1,760.0 | 128     | \$225,082   |
| Assistant Project Manager / Associate Engineer         | 5207           | 1,078.0 | 103     | 110,783     |
| Engineer / Resident Engineer                           | 5241           | 4,133.2 | 119     | 491,619     |
| Traffic Engineer                                       | 5241           | 340.0   | 81      | 27,625      |
| Assistant Engineer                                     | 5203           | 89.0    | 87      | 7,626       |
| Division Manager                                       | 5211           | 145.4   | 138     | 20,012      |
| Senior Engineer                                        | 5211           | 72.0    | 94      | 6,750       |
| Construction Manager                                   | 5174           | 383.4   | 128     | 49,086      |
| Office Manager                                         | 5203           | 3,469.2 | 87      | 300,643     |
| Inspector / Const. Inspector                           | 6318           | 5,764.2 | 95      | 545,270     |
| Public Affairs Staff Person                            | 1314           | 1,056.0 | 86      | 91,051      |
| Assoc. Trf. Engr.                                      | 5229           | 32.0    | 69      | 2,200       |
| Assoc. Civil I                                         | 5356           | 32.0    | 69      | 2,200       |
| Architect                                              | 5258           | 56.0    | 115     | 6,503       |
| Senior Architect                                       | 5270           | 6.0     | 134     | 807         |
| Env. Scientist                                         | 6398           | 600.0   | 123     | 73,706      |
| Accountant                                             | 1632           | 32.0    | 65      | 2,080       |
| Manager                                                | 5138           | 40.0    | 133     | 5,311       |
| Subtotal City Personnel                                |                |         |         | \$1,966,343 |
| <i>Consultants</i>                                     |                |         |         |             |
| City's material testing lab                            |                |         |         | \$65,000    |
| Acoustical monitoring consultant                       |                |         |         | 60,000      |
| Biologist consultant                                   |                |         |         | 50,000      |
| Haz-Mat oversight consultant                           |                |         |         | 65,000      |
| Micro Analytical consultant                            |                |         |         | 25,000      |
| Delta Lab.                                             |                |         |         | 75,000      |
| Structural/Mechanical/Electrical/Light Rail consultant |                |         |         | 1,246,754   |
| Special Inspection, consultants                        |                |         |         | 312,356     |
| Subtotal Consultants                                   |                |         |         | \$1,899,612 |
| Total Construction Management and Engineering          |                |         |         | \$3,867,955 |

| 4TH STREET BRIDGE SEISMIC RETROFIT AND REHABILITATION    |                |       |         |                    |
|----------------------------------------------------------|----------------|-------|---------|--------------------|
| Preliminary Engineering/Planning and Design Costs        | Classification | Hours | \$/Hour | Subtotal           |
| <b>City Personnel</b>                                    |                |       |         |                    |
| Project Manager II                                       | 5504           | 805   | 128     | \$103,040          |
| Administration Engineer                                  | 5174           | 425   | 128     | \$54,400           |
| Assistant Project Manager / Associate Engineer           | 5207           | 2,500 | 103     | \$257,500          |
| Engineer                                                 | 5241           | 2,400 | 119     | \$285,600          |
| Principle Analyst                                        | 1824           | 1,025 | 110     | \$112,750          |
| DPT (traffic study, plans and specs)                     |                |       |         | \$65,000           |
| Permits and fees (Port Permit, City Planning)            |                |       |         | \$100,000          |
| Subtotal City Personnel                                  |                |       |         | \$978,290          |
| <b>Consultants</b>                                       |                |       |         |                    |
| Structural & Mechanical Design-Consultant                |                |       |         | \$1,544,526        |
| Environmental Studies and Documentation-Consultant       |                |       |         | \$93,282           |
| Constructibility Review -Consultants                     |                |       |         | \$135,000          |
| Geotechnical Engineering- Consultant                     |                |       |         | \$41,739           |
| Sound Attenuation Study & Testing-Consultant             |                |       |         | \$15,000           |
| Subtotal Consultants                                     |                |       |         | \$1,829,547        |
| <b>Total Preliminary Engineering/Planning and Design</b> |                |       |         | <b>\$2,807,437</b> |
| <b>Right of Way Procurement Costs</b>                    |                |       |         |                    |
| <b>City Personnel</b>                                    |                |       |         |                    |
| Principal Real Property Officer                          | 4143           | 160   | 94      | \$15,000           |
| Subtotal City Personnel                                  |                |       |         | \$15,000           |
| <b>Redevelopment Agency Personnel</b>                    |                |       |         |                    |
| Relocation Supervisor                                    |                |       |         | \$5,000            |
| Secretary                                                |                |       |         | 2,000              |
| Senior Community Rep.                                    |                |       |         | 8,000              |
| Subtotal Redevelopment Agency Personnel                  |                |       |         | \$15,000           |
| <b>Additional Costs</b>                                  |                |       |         |                    |
| R/W Purchase Cost                                        |                |       |         | \$12,000           |
| Relocation Assistance                                    |                |       |         | 20,000             |
| Subtotal Additional Costs for Right of Way Procurement   |                |       |         | \$32,000           |
| <b>Total Right of Way Procurement</b>                    |                |       |         | <b>\$62,000</b>    |



Willie Lewis Brown, Jr., Mayor  
Edwin M. Lee, Director



Phone: (415) 554-6920  
Fax: (415) 554-6944  
TDD: (415) 554-6900  
<http://www.sfdpw.com>

Department of Public Works  
Office of the Director  
City Hall, Room 348  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102-4645

## Attachment II

## Funding Sources

| Source                                                                                                                                                         | Amount              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| HBRR, Federal Seismic and State Seismic grant – current request to accept and expend                                                                           | \$20,911,133        |
| State Transportation Improvement Program (STIP) grant – previously approved by the Board of Supervisors under Resolution No. 132-01 and Resolution No. 1158-99 | 7,253,000           |
| HBRR, Federal Seismic and State Seismic grant – previously approved by the Board of Supervisors under Resolution No. 453-92                                    | 1,429,400           |
| Proposition B Sales Tax funds – previously allocated by the Transportation Authority Board under Resolution No. 99-5                                           | 262,000             |
| General Fund – previously appropriated by the Board of Supervisors in FY 1999/2000 and FY 2000/01                                                              | 882,237             |
| Muni portion of Preliminary Engineering and Design                                                                                                             | 277,100             |
| <b>TOTAL AVAILABLE FUNDING</b>                                                                                                                                 | <b>\$31,014,870</b> |

## Project Budget

|                                         |                     |
|-----------------------------------------|---------------------|
| Preliminary Engineering                 | \$2,807,837         |
| Right of Way Acquisition                | 62,000              |
| Construction – actual lowest bid        | 16,978,570          |
| Construction Contingency (10%)          | 1,697,857           |
| Construction Management and Engineering | 3,867,955           |
| Grant Contingency                       | 4,519,506           |
| <b>TOTAL ESTIMATED COST</b>             | <b>\$29,933,725</b> |



Willie Lewis Brown, Jr., Mayor  
Edwin M. Lee, Director

Department of Public Works  
Finance and Budget Division  
30 Van Ness Avenue, 5<sup>th</sup> Floor  
San Francisco, CA 94102  
Tina Olson, Division Manager

January 30, 2003

Harvey M. Rose  
Budget Analyst  
SF Board of Supervisors  
1390 Market Street, Suite 1025  
San Francisco, CA 94102

Dear Mr. Rose:

This memorandum is in response to a request from Ms. Elaine Forbes for information as to why the Department of Public Works is unable to return to the General Fund the \$882,237 General Fund appropriation it received for the 4<sup>th</sup> Street Bridge project. At this time, DPW anticipates that it will be able to return \$393,504 to the General Fund.

The 4<sup>th</sup> Street Bridge project has a complicated web of funding sources, namely Federal Highway Bridge Replacement and Rehabilitation (HBRR) grant funds, Federal Seismic grant funds, State Seismic grant funds, State Transportation Improvement Program grant funds, General Fund appropriations, Proposition B Sales Tax funds, and Muni funds. DPW is unable to return the entire \$882,237 to the General Fund because: 1) certain project costs for preliminary engineering and design are ineligible for reimbursement by grant funds, and 2) DPW incurred costs prior to receiving authorization to expend grant funds on the 4<sup>th</sup> Street Bridge project from Caltrans.

### **Eligibility**

To date, \$364,133 in General Fund monies have been spent on the 4<sup>th</sup> Street Bridge project. As described in the table below, General Fund monies covered costs that were either ineligible for reimbursement with grant funds or which DPW incurred prior receiving authorization from Caltrans to expend grant funds on the 4<sup>th</sup> Street Bridge project.

| <u>Preliminary Engineering and Design Costs</u>                                                               | <u>General Fund monies required due to ineligibility</u> | <u>General Fund monies required due to unavailable grant funds</u> |
|---------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------------------|
| DPW overhead (indirect costs) for preliminary engineering and design from March 15, 1999 to December 20, 2002 | \$197,665                                                | -                                                                  |
| 20% required local match to the HBRR grant for DPW eligible labor costs                                       |                                                          | \$10,528                                                           |
| DPT labor for traffic design services                                                                         | 30,702                                                   | -                                                                  |
| Consultant costs for preliminary engineering and design                                                       | -                                                        | 125,238                                                            |
| <b>TOTAL</b>                                                                                                  | <b>\$228,367</b>                                         | <b>\$135,766</b>                                                   |

## Attachment III

Page 2 of 5

Because DPW did not have an Approval Letter from Caltrans to be reimbursed by the Federal Highway Administration (FHWA) with Federal funds for DPW overhead costs, General Fund appropriations have been required to pay for DPW overhead costs associated with this project. Caltrans has recently approved DPW's indirect cost plan which will allow DPW to use federal grant funds to cover future DPW overhead costs. DPT labor costs for traffic design services are ineligible for grant reimbursement because the work is not directly related to the seismic-retrofitting or rehabilitation of the bridge.

In addition to the \$364,133 in General Fund monies that have already been spent on the 4<sup>th</sup> Street Bridge project, DPW is retaining \$124,600 of the General Fund appropriation to pay for any additional costs during the preliminary engineering and design phase of the project which may be ineligible for reimbursement by grant funds, such as additional DPW overhead costs or additional DPT traffic services.

### Availability of Grant Funds

Through December 20, 2002, DPW has expended a total of \$2,372,509 on the preliminary engineering and design phase of the 4<sup>th</sup> Street Bridge project. Of the total amount spent to date, funding is as follows:

| <u>Source</u>                        | <u>Eligible Costs</u>                                                                                                    | <u>Date Available</u>       | <u>Sources DPW is currently billing against (funds available)</u> | <u>Spent to Date</u> |
|--------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------|-------------------------------------------------------------------|----------------------|
| HBRR, Federal Seismic, State Seismic | Seismic-related, rehabilitation, DPW labor, consultants (indirect costs such as DPW overhead and DPT labor not eligible) | September 15, 1998          | \$1,429,400                                                       | \$1,419,122          |
| STIP                                 | All project costs                                                                                                        | October 25, 2000            | 123,000                                                           | 108,295              |
| Sales Tax                            | All project costs                                                                                                        | FY 1999/2000                | 262,000                                                           | 205,160              |
| General Fund                         | All project costs                                                                                                        | FY 1999/2000 and FY 2000/01 | 882,237                                                           | 364,133              |
| Muni                                 | Muni work                                                                                                                | N/A                         | 277,100                                                           | 275,799              |
| <b>TOTAL</b>                         |                                                                                                                          |                             | <b>\$2,973,737</b>                                                | <b>\$2,372,509</b>   |

As shown in Attachment I to this memorandum, DPW could begin billing for preliminary engineering costs against the first portion of HBRR, Federal Seismic and State Seismic grant funds, totaling \$1,429,400, on September 15, 1998. As also shown in Attachment I, DPW is able to bill against the subject \$20,911,133 in HBRR, Federal Seismic and State Seismic grant funds as of August 14, 2002. However, DPW is unable to begin billing against this allocation of the grant funds until the proposed resolution has been approved by the Board of Supervisors and signed by the Mayor.

As shown in Attachment II to this memorandum, DPW could begin billing against the first portion of STIP grant funds, totaling \$123,000, on October 25, 2000. Therefore, between March 15, 1999 and October 25, 2000, which pre-dates the first allocation of STIP grant funds as the source of the local match, DPW was required to use either General Fund appropriations or Proposition B Sales Tax funds as the sources for the local match to the federal grants. The remaining STIP grant funds were made available to DPW for reimbursement as of August 22, 2002. However, the DPW will not begin billing against this allocation of the STIP until the proposed resolution has been approved by the Board of Supervisors and signed by the Mayor.

The result of the timing of the appropriations of grant funds is that General Fund monies and Proposition B Sales Tax funds have been required to fund a portion of the preliminary engineering and design portion of the project. As the preliminary engineering and design phase has progressed, and as additional grant funds have become available to the Department, DPW estimates that it will not require \$393,504 of the \$882,237 General Fund appropriations for the 4<sup>th</sup> Street Bridge. Please note that DPW will continue to incur costs for preliminary engineering and design through April 2003, when the construction phase of the project is anticipated to begin.

I hope that this memorandum sufficiently addresses your concerns. Please contact me at 558-4420 if you need additional information or if I can answer any questions.

Sincerely,



Anna LaForte  
Transportation Finance Analyst

Attachment IV

| BIDDERS                                                         | BID AMOUNT   |
|-----------------------------------------------------------------|--------------|
| Mitchell Engineering/Obayashi Corp. JV                          | \$16,978,570 |
| William P. Young Construction, Inc.                             | \$18,610,219 |
| American Civil Constructors West Coast                          | \$19,596,338 |
| Shimmick Construction Co., Inc./Miller-Thompson Constructors JV | \$20,150,499 |
| Diablo Contractors, Inc.                                        | \$20,923,604 |

## Justification for grant contingency:

### 1. Historic aspect:

The bridge is historic, built in 1916. The project has to protect the historic elements of the bridge while upgrading the seismic safety of these elements. The historic elements of the bridge include the operator's house, the watchman's house, the overhead counterweight and the mechanical function of the bridge.

*Potential Cost Escalation: \$316,979 to \$633,958*

### 2. Underwater construction

There will be major under water construction activities in the Mission Creek. The bridge will be balanced by a new counterweight under the street surface, housed in a concrete pit (~60 ft deep) built in the channel. In addition, all the footings retrofit work will be done by underwater construction techniques.

*Potential Cost Escalation: \$279,106 to \$558,211*

### 3. Steel Corrosion repair

One of the three main objectives of the project is repairing the existing structural steel members by stripping the paint, welding sections and/or replacing them. The extent of the work depends on the degree of corrosion advancement, which will be determined after paint removal.

*Potential Cost Escalation: \$668,708 to \$1,337,416*

### 4. Construction of the light rail system with overhead contact wires

4<sup>th</sup> St. Bridge will be the only bascule bridge of this kind that will accommodate light rail system with detachable overhead contacts. The combined electrical and mechanical function of such a system require extensive testing and trouble shooting that will be determined when the system is being built.

*Potential Cost Escalation: \$1,252,607 to \$2,505,213*

### 5. Mitigation of biological impact

The Mission Creek is a seasonal habitat for steelhead and the spawning habitat for herring fish. Construction activities will be monitored to minimize the impact on fish. Any spawning activity will halt the construction for an undetermined period of time.

*Potential Cost Escalation: \$100,000 to \$200,000*

### 6. Excavation of hazardous material

Most of the soil that will be excavated are classified as Class I hazardous. The estimated 3500 CY can well go up at the time of the construction, thus the extent of the haz-mat abatement will be known when the excavation activities start.

*Potential Cost Escalation: \$170,500 to \$341,000*

File Number: \_\_\_\_\_  
(Provided by Clerk of Board of Supervisors)

**Grant Information Form**  
(Effective January 2000)

Purpose: Accompanies proposed Board of Supervisors resolutions authorizing a Department to accept and expend grant funds.

The following describes the grant referred to in the accompanying resolution:

1. Grant Title: Federal and State Funds to Seismically Retrofit and Rehabilitate the Fourth Street Bridge Over Mission Bay Channel Waterway

2. Department: Public Works

3. Contact Person: Anna LaForte Telephone: 558-4420

4. Grant Approval Status (check one):

☒ Approved by funding agency

☐ Not yet approved

5. Amount of Grant Funding Approved or Applied for: \$20,911,134 total, consisting of \$8,438,761 in Federal Highway Bridge Replacement and Rehabilitation (HBRR) program funds; \$9,977,898 in Federal Seismic funds; \$2,494,475 in State Seismic funds

6a. Matching Funds Required: \$7,109,690

6b. Source(s) of matching funds (if applicable): State Transportation Improvement Program funds previously approved by the Board of Supervisors

7a. Grant Source Agency: Federal Department of Transportation (FHWA)

7b. Grant Pass-Through Agency (if applicable): State Department of Transportation (Caltrans)

8. Proposed Grant Project Summary: Repair of damage to concrete approaches and steel/concrete members of the movable span; improvements to permit light rail operations; seismically retrofitting the structure while maintaining historical significance; repair of pavement to roadway approaches.

9. Grant Project Schedule, as allowed in approval documents, or as proposed:

Start-Date: January 2003

End-Date: March 2005

0. Number of new positions created and funded: None.

1. If new positions are created, explain the disposition of employees once the grant ends?

2a. Amount budgeted for contractual services: \$25,712,795

b. Will contractual services be put out to bid? Yes

c. If so, will contract services help to further the goals of the department's MBE/WBE requirements? Yes

d. Is this likely to be a one-time or ongoing request for contracting out? One-time

13a. Does the budget include indirect costs? ☐ Yes ☒ No

b1. If yes, how much? \$

b2. How was the amount calculated?

c. If no, why are indirect costs not included?

☒ Not allowed by granting agency

☐ To maximize use of grant funds on direct services

☐ Other (please explain):

14. Any other significant grant requirements or comments:

### \*\*Disability Access Checklist\*\*

15. This Grant is intended for activities at (check all that apply):

☒ Existing Site(s)

☒ Existing Structure(s)

☐ Existing Program(s) or Service(s)

☐ Rehabilitated Site(s)

☒ Rehabilitated Structure(s)

☐ New Program(s) or Service(s)

☐ New Site(s)

☐ New Structure(s)

16. The Departmental ADA Coordinator and/or the Mayor's Office on Disability have reviewed the proposal and concluded that the project as proposed will be in compliance with the Americans with Disabilities Act and all other Federal, State and local access laws and regulations and will allow the full inclusion of persons with disabilities, or will require unreasonable hardship exceptions, as described in the comments section:

Comments:

Departmental or Mayor's Office of Disability Reviewer: \_\_\_\_\_  
(Name)

Date Reviewed: \_\_\_\_\_

Department Approval: \_\_\_\_\_  
(Name) (Title)

\_\_\_\_\_  
(Signature)

Item 5 - File 03-0085

**Note:** The Department of the Environment initially submitted a request to release \$1,500,000 in reserved funds, but then submitted an amendment to the Clerk of the Finance Committee which reduced the request for release of reserve funds by \$1,157,814, from \$1,500,000 to \$342,186.

**Department:** Department of the Environment (DOE)  
Mayor's Office of Economic Development (MOED)

**Item:** Hearing to consider the release of reserved funds for the Department of the Environment for the Environmental Justice Grant Program (see Comment 1) in the amount of \$342,186 to (1) fund seven grants for projects in the Bayview Hunters Point and Potrero areas in the amount of \$317,186 which have been recommended by the Department of the Environment based on a Request for Proposal (RFP) process, and (2) pay for contractual services in the amount of \$25,000.

**Amount:** \$342,186

**Source of Funds:** State grant funds totaling \$13,000,000 from the California Public Utilities Commission (CPUC) were appropriated and reserved by the Board of Supervisors for the Mayor's Office of Economic Development FY 1999-2000 budget, pending submission of budget and program details. According to Mr. David Assmann of the Department of the Environment, the entire \$13,000,000 in State grant funds were appropriated and reserved in the Mayor's Office of Economic Development budget until a precise plan could be determined regarding the expenditure of such funds. Mr. Assmann states that due to legislative language concerning environmental mitigation and the level of oversight required, the Department of the Environment was charged with developing and administering the Environmental Justice Grant Program instead of the Mayor's Office of Economic Development.

At the May 9, 2002 Finance Committee meeting, the Board of Supervisors released \$9,615,121 of the total \$13,000,000 on reserve in the Mayor's Office of Economic

Development (File No. 01-0257) for the Department of the Environment. The Board of Supervisors continued to reserve \$3,384,879 pending 1) the development of the RFP process and selection of grantees, and 2) selection of outside consultants to evaluate the grant projects. The Department of the Environment now requests that \$342,186, including \$317,186 for eight nonprofit agencies and \$25,000 for consultant services, of the total \$3,384,879 on reserve at the Mayor's Office of Economic Development be released to the Department of the Environment to continue to manage the Environmental Justice Grant Program.

**Description:**

In the Fall of 1998 the State of California, through the California Public Utilities Commission, allocated to the City and County of San Francisco funding in the amount of \$13,000,000 including \$3,000,000 "to be used to mitigate community issues and avoid environmental impacts arising from the sale of the Potrero Power Plant by the Pacific Gas and Electric Company", and \$10,000,000 "to be used by the City and County for infrastructure associated with the shut down of the Hunters Point Power Plant and the sale and possible expansion of the Potrero Power Plant" as stated in Attachment II, provided by Mr. Assmann.

According to Mr. Assmann, in the Fall of 1999, one year later, the Mayor directed the Department of the Environment, in collaboration with the Mayor's Office of Economic Development, to develop a program for the disbursement of the \$13,000,000 in State funds previously reserved by the Board of Supervisors in the Mayor's Office of Economic Development's FY 1999-2000 budget. Attachment I and II provides budget information, the status related to the \$13,000,000 in State grant funds, and additional information pertaining to the Environmental Justice Grant Program.

As noted in Attachment II, provided by Mr. Assmann, the Commission on the Environment created an Ad Hoc Committee of the Commission on the Environment to develop priorities for the Environmental Justice Grant Program. These priorities are as follows:

1. **Environmental Justice:** Funded projects must address environmental pollution education; community organization on environmental issues; land use, economic and infrastructure development; and, community empowerment.
2. **Environmental Health:** Funded projects must improve the environmental health of community members by focusing on pollution prevention and education; create or enhance open space and recreation; and, improve nutrition of community members.
3. **Energy and Climate Change:** Funded projects must promote renewable energy and energy efficiency; reduce the use and generation of fossil fuels; and develop and promote alternative fuels and modes of transportation.

According to Mr. Assmann, based on the priority areas identified above, the Department of the Environment selected eight nonprofit agencies through a two phase RFP process between July 2002 and January 2003 to allocate the subject release of \$317,186 reserved funds for the eight nonprofit organizations, as explained in Attachment II. Attachment II also explains the RFP process and provides a list of all organizations which responded to the RFP. Attachment II also contains the amounts requested by each respondent to the RFP and the amounts allocated to each respondent. Attachment III, provided by Mr. Assmann, contains the organizations selected, funding recommendations, and project descriptions. According to Mr. Assmann, the Department of the Environment has taken the lead role in the Environmental Justice Grant Program and the RFP process used to select the grantees.

As shown in Attachment III, approval of the proposed release of reserved funds in the amount of \$342,186 would fund 1) \$189,500 for three Food Security Grants, 2) \$127,686 for four Rolling Grants (five nonprofit agencies), and 3) \$25,000 in consultant services. According to Mr. Assmann, Food Security Grants specifically aim to promote food security, an Environmental Justice Grant Program designated priority area for FY 2002-2003, by providing funds for access to healthy foods. Further, Mr.

Assmann states that Rolling Grants provide funds to address the three more general priority areas mentioned above. According to Mr. Assmann, the seven grants totaling \$317,186 (\$189,500 in Food Security Grants plus \$127,686 in Rolling Grants (see Attachment III) are for projects in the Bayview Hunters Point and Potrero communities and will be conducted by eight nonprofit agencies in accordance with State legislation as explained in Attachment II. Mr. Assmann reports that \$25,000 of the total request of \$342,186 would fund consultant services to oversee the Leader in Energy and Environmental Design (LEED) certification process, for the Living Classroom, a community meeting and environmental education use facility at the base of the Hunters Point Power plant, operated by the nonprofit organization, Literacy for Environmental Justice. As explained in Attachment II, the LEED Certification is a design rating given by the U.S. Green Building Council for energy efficient and environment friendly buildings. According to Mr. Assmann, the selected consultant, Van der Ryn Architects, would be responsible for providing technical assistance to the nonprofit organization, Literacy for Environmental Justice, to ensure the facility meets LEED Certification standards. Attachments II and IV contain additional program and budget information on the consultant services to be provided.

**Budget:**

A summary budget for the \$342,186 in requested release of reserved funds for the Environmental Justice Grant Program is as follows:

|                     |                  |
|---------------------|------------------|
| Seven Grants        | \$317,186        |
| Consultant Services | <u>25,000</u>    |
| Total               | <b>\$342,186</b> |

**Comment:**

As stated in Attachment II provided by the Department of the Environment, "The EJ (Environmental Justice) Grant Program is based on community input to address the environmental justice, environmental health and energy issues in the Bayview Hunters Point and Potrero Hill neighborhoods. Through the Environmental Justice Program, the Department funds projects and programs that conduct environmental and resource efficiency education, outreach and advocacy, job training and

placement in sectors which serve to improve environmental conditions and capital improvement projects such as open space enhancement, weatherization and design and construction of community serving facilities."

**Recommendations:** Approval of the proposed release of reserved funds in the amount of \$342,186 is a policy decision for the Board of Supervisors.

**ATTACHMENT I - SF ENVIRONMENT**  
**ALLOCATION OF \$13 MILLION STATE APPROPRIATION**

| EXPENSES                                     | SUBTOTALS   | BUDGET              |
|----------------------------------------------|-------------|---------------------|
|                                              |             |                     |
| <b>Total Amount Released to Date</b>         |             | <b>\$9,615,121</b>  |
| Administrative Costs                         | \$1,000,728 |                     |
| Grants Awarded in FY 01-02                   | \$8,614,393 |                     |
|                                              |             |                     |
| <b>Requested Release</b>                     |             | <b>\$342,186</b>    |
| Grants Awarded in FY 02-03                   | \$317,186   |                     |
| Technical Assistance/Consultant              | \$25,000    |                     |
|                                              |             |                     |
| <b>Funds to Remain on Reserve</b>            |             | <b>\$3,042,693</b>  |
|                                              |             |                     |
| <b>\$ 13 MILLION EJ GRANT PROGRAM BUDGET</b> |             | <b>\$13,000,000</b> |

## Memorandum

To: Leanne Nhan

From: Hillary Amsberry/ Sraddha Mehta

Date: 1/29/03

Re: Department of the Environment - Environmental Justice Grant Program

---

The Department of the Environment is requesting the release of \$342,186 from reserve for the purpose of administering its Environmental Justice Grant Program and for contractor fees associated with a green building grant project. Specifically, \$189,500 is needed for grants in the food security priority area, \$127,686 is needed for the first rolling grant cycle, and \$25,000 is required for contractor fees. The Department also requests that the remaining funds be placed on reserve at the Department of the Environment.

In the Fall of 1998 the State of California appropriated funding in the amount of \$13,000,000 to support the City and County of San Francisco, with \$3,000,000 to be used to mitigate community issues and avoid environmental impacts arising from the sale of the Potrero Power Plant by the Pacific Gas and Electric Company and \$10,000,000 to be used by the City and County for infrastructure associated with the shut down of the Hunters Point Power Plant and the sale and possible expansion of the Potrero Power Plant.

Although the State of California appropriated \$13,000,000 to the City and County of San Francisco in 1998, the Department of the Environment was not involved in the process to determine the use of these funds until 1999. In the fall of 1999, Mayor Brown directed the Department to develop a program for the disbursement of the State funds. In accordance with the State appropriation legislation, the Department has earmarked the \$13,000,000 for projects and programs for the Bayview Hunters Point and Potrero Hill communities. The Department concluded that the most appropriate means of disbursement of funds to the communities was through a grant program and subsequently formed an Ad Hoc Committee of the Commission on the Environment to develop a comprehensive plan for the grant program. The Committee sought input from the public, City officials, nonprofit organizations and foundations and held five public meetings, including two in the affected communities, to ensure that all comments and concerns were considered in developing priorities and criteria for the grant program, a process that took approximately one year. The Department then commenced the Environmental Justice (EJ) Grant Program in 2000, pursuant to the guidelines that were adopted by the Committee.

January 29, 20

The EJ Grant Program is based on community input to address the environmental justice, environmental health and energy issues in the Bayview Hunters Point and Potrero Hill neighborhoods. Through the Environmental Justice Program, the Department funds projects and programs that conduct environmental and resource efficiency education, outreach and advocacy, job-training and placement in sectors which serve to improve environmental conditions and capital improvement projects such as open space enhancement, weatherization and design and construction of community serving facilities.

To date, the Department has awarded several EJ grants, totaling \$8,614,393. In May of 2001, the Finance Committee of the Board of Supervisors released these funds, as well as funds designated for grant administration. The remaining State funds remain on reserve at the Mayor's Office of Economic Development (MOED). As the Department of the Environment is solely responsible for administering the EJ Grant Program, the Department requests that the remaining funds remain on reserve at the Department of the Environment rather than at MOED. For future tracking purposes, the Department recommends that funds be transferred from MOED index code 210028 Project PBE004 to the Department of the Environment index code 220007 Project PBE004. Attachment I contains the allocation of expenditures related to the \$13,000,000 State appropriation.

In May of 2002, the Commission on the Environment determined that an annual EJ grant program with a lower maximum grant size would be the most effective way to disburse the remaining State funds. An annual program would provide organizations with an ongoing opportunity to apply for funds in the priority areas that were identified by the community, while allowing smaller organizations to apply for smaller grants to build their capacity to manage environmental projects. Every year, the Department of the Environment will request the release of funds from reserve for this annual program.

- Funding Cycles and Funding Categories

Each fiscal year there are three opportunities to submit applications for funding i.e. there are three *funding cycles*. Two of these cycles are called Rolling Grants where we fund projects that address Environmental Health, Environmental Justice and Climate Change twice a year to create a rolling source of funds. (These funding categories are the same as those of FY '01 – '02). In the remaining cycle, we fund projects that are within a specific Priority Area. This year we addressed the issue of access to nutritious foods, or food security.

- The Department's Outreach Efforts

To ensure that potential grant applicants received information about the Environmental Justice (EJ) grants and how to apply we provided outreach

*January 29, 2003*

through several channels. The grant solicitation announcement was e-mailed to over 300 members of the public, including the Commission on the Environment's e-mail mailing list, environmental advocacy groups, and EJ groups. Hard copies of the application packet were made available to the public at the following sites: Department of the Environment, the Southeast Health Center, Potrero Hill Neighborhood House, Bayview Public Library, the Bayview Advocates office, Bayview Hunters Point Foundation, Bayview Opera House, Southeast Community Facility PAC Office, City College Evans Campus, and the San Francisco Community Power Cooperative office. The announcement of pick-up sites was mailed to over 300 groups or individuals, including those on the Commission on the Environment mailing list, those who submitted applications in previous grant cycles, the EJ mailing list, schools in Bayview Hunters Point and Potrero Hill, senior centers, and organizations specializing in the priority area. In addition, the application packet was posted on the Department's website and the announcement was placed in three newspapers: the Bay View, the Potrero View, and the Independent. The advertisements ran in June of 2002.

- Grant Program Process and Timeline

Each RFP process was conducted in two phases. In phase one, applicants submitted a letter of intent and initial application to apply for the subject grant monies. In phase two, applicants were asked to elaborate on their projects by submitting complete proposals and work plans. On July 8, 2002 we received 14 initial applications for food security and on August 1, 2002 we received 18 initial applications the rolling grant cycle. Attachment II contains a list of all organizations that submitted initial proposals. We invited 7 food security applicants and 7 rolling grant applicants to submit complete proposals. On September 13<sup>th</sup>, 2002 we received 3 complete proposals for food security and 4 complete proposals for the rolling grants on October 10<sup>th</sup>, 2002. On November 7<sup>th</sup> 2002 and January 9<sup>th</sup>, 2003 recommendations for funding were made to the Commission on the Environment.

- Initial Application Selection Criteria

In reviewing the letters of intent and initial applications, the Department rejected proposals that did not meet the guidelines stated in the application packet, did not articulate goals and objectives clearly, could not be implemented in the timeframe allotted, could potentially collapse without future funding, and could not guarantee sustainable results. All other proposals were accepted for the second phase.

- Complete Proposal Selection Process

January 29, 2003

The selection of complete proposals was based on a selection panel's evaluation of the project's goals and objectives, the implementation plan (work plan), management experience of the organization, cost-effectiveness of the project budget, level of community involvement, and responses to questions or comments during an interview.

The selection panel, consisting of our Executive Director, a Commissioner with the Commission on the Environment and the two grant program managers reviewed all applications and complete proposals. The panel members prepared questions and comments on the proposals and then conducted interviews with the final applicants. Based on the initial proposals, complete proposals, and interviews, the panel developed the attached funding recommendations for fiscal year 2002-2003 Environmental Justice Grants (see Attachment III: includes applicant name, amount requested, amount approved by DoE, and brief project summary). The recommendations were approved by the Commission on the Environment on November 7, 2002 for the food security grants and January 9, 2003 for the rolling grants.

- Funding Recommendations

See Attachment III – Includes applicant name, amount requested, term of grant (grants are anticipated to commence in March 2003, pending release of funds from reserve), amount approved by DoE, and brief project summary. Funding of the recommended grant proposals will provide money to alleviate the environmental health and economic burdens of the Bayview Hunters Point and Potrero Hill communities.

- \$25,000 in consultant contract costs (LEED Certification)

The process to select a firm to conduct the LEED certification<sup>1</sup> of the Living Classroom project<sup>2</sup> complied with the guidelines set forth in City's selection process for RFP awards of \$25,000 or less. We notified all LEED certified professionals listed with the U.S. Green Building Council<sup>3</sup> (USGBC) on June 26<sup>th</sup>, 2002. On July 17<sup>th</sup>, 2002 we received two proposals, one from Sustainable Design Resources and one from Van der Ryn Architects.

---

<sup>1</sup> LEED Certification – Leader in Energy and Environmental Design certification is a rating system of the U.S. Green Building Council where points are given for designs including such energy efficient components as solar panels, recycled content, wind turbines and other forms of innovative design where reliance of fossil fuel is limited if not exempt

<sup>2</sup> A project funded by the Department of the Environment's EJ Grant Program during FY 01-02. The Living Classroom will be a community use facility located on Pier 70 at the base of the Hunters Point Power plant. The facility will be 100% off the grid and self-sustainable, while using recycled products and other eco-friendly materials in its design. Literacy for Environmental Justice is the grant recipient working in collaboration with the Port who provides construction related support

<sup>3</sup> All certified LEED professionals must register through the US Green Building Council. Therefore, all registered LEED professionals were notified about the RFP.

*January 29, 2003*

The selection panel consisted of a grant manager and the green building coordinator for the department. Van der Ryn Architects were selected based on the strength of their proposal as well as their knowledge of the Living Classroom project, familiarity with the community and reputation on past projects with the City.

Scope of work: The scope includes, but is not limited to: submission of all necessary documentation to the USGBC to register the building; management of information from the lead architect, mechanical engineers, structural engineer and any other entities as needed for the USGBC; and hiring and oversight of architects and engineers to implement LEED components for scoring of building.

Contract Amount/ Detailed Budget with Hourly Rates: The contract amount is \$25,000. Attachment IV contains a detailed breakdown of the budget for LEED certification services, as well as the hourly rates for individual staff.

Contract Start Date: Pending Release of funds from reserve

Estimated Contract End Date: May 31, 2004

- Process to Disburse Remaining State Appropriation Funds

The Department of the Environment plans to employ the aforementioned grant process for its annual grant program.

## ATTACHMENT II – SF ENVIRONMENT

### LIST OF APPLICANTS WHO SUBMITTED LETTERS OF INTENT

#### FOOD SECURITY APPLICANTS

| <i>Name of Organization</i>                    | <i>Amount Requested</i> | <i>Amount Granted</i> |
|------------------------------------------------|-------------------------|-----------------------|
| Economic Opportunity Council of San Francisco  | \$75,000.00             | \$75,000.00           |
| Girls 2000                                     | \$75,000.00             | \$75,000.00           |
| Starr King Park                                | \$73,860.00             | \$0                   |
| St. Gregory's Food Pantry                      | \$39,500.00             | \$39,500.00           |
| St. Paul of the Shipwreck Catholic Church      | \$43,563.00             | \$0                   |
| Urban Resource Systems                         | \$72,223.00             | \$0                   |
| Youth & Seniors Outreach Services Inc.         | \$75,000.00             | \$0                   |
| City CarShare                                  | \$75,000.00             | \$0                   |
| Envocare                                       | \$75,000.00             | \$0                   |
| San Francisco League of Urban Gardeners (SLUG) | \$74,318.75             | \$0                   |
| The San Francisco Food Bank                    | \$75,000.00             | \$0                   |
| United Council of Human Services               | \$75,000.00             | \$0                   |
| Vista Del Monte Residents Association (VDMRA)  | \$34,100.00             | \$0                   |
| Y.O. Recycling and Gardening                   | \$26,950.00             | \$0                   |

#### ROLLING GRANT APPLICANTS

| <i>Name of Organization</i>                                | <i>Amount Requested</i> | <i>Amount Granted</i>                                |
|------------------------------------------------------------|-------------------------|------------------------------------------------------|
| Residents Association of All Hallows Gardens – Proposal I  | \$27,000.00             | \$0                                                  |
| Residents Association of All Hallows Gardens – Proposal II | \$30,000.00             | \$30,000.00 (in partnership w/ Shoreview)            |
| Communities for a Better Environment (CBE)                 | \$30,000.00             | \$30,000.00                                          |
| Greenaction for Health and Environmental Justice           | \$50,000.00             | \$50,000.00                                          |
| Consumer Action's Healthy Children Organizing Project      | \$25,000.00             | \$0                                                  |
| Kids in Parks                                              | \$17,686.00             | \$17,686.00                                          |
| Planet Drum                                                | \$6,000.00              | \$0                                                  |
| Shoreview Environmental Justice Movement, Inc.             | \$30,000.00             | \$30,000.00 (in partnership * w/ All Hallows Garden) |
| Bayview Solar and Wind                                     | \$75,000.00             | \$0                                                  |
| Business Development, Inc. (BDI)                           | \$50,640.00             | \$0                                                  |
| Envocare                                                   | \$50,000.00             | \$0                                                  |
| From the Ground Up                                         | \$60,000.00             | \$0                                                  |
| Goodman2 Homeowners' Association                           | \$75,000.00             | \$0                                                  |
| Heaven's Glade Foundation – Proposal I                     | \$64,650.00             | \$0                                                  |
| Heaven's Glade Foundation – Proposal II                    | \$47,900.00             | \$0                                                  |
| Holliday Foundation                                        | \$75,000.00             | \$0                                                  |
| The Sun/Wind Seeker I                                      | \$75,000.00             | \$0                                                  |
| Young Community Developers, Inc. (YCD)                     | \$75,000.00             | \$0                                                  |

\*This \$30,000 amount is included in the \$30,000 amount for the All Hallows Garden.

# **ATTACHMENT III - SF ENVIRONMENT - ENVIRONMENTAL JUSTICE GRANTS AWARDED IN FISCAL YEAR 02-03**

## **Food Security Grants Awarded**

| <i>Applicant Name/<br/>Project Start and End Dates</i>        | <i>Amount<br/>Requested</i> | <i>Funding<br/>Approved</i> | <i>Project Summary</i>                                                                                                                                                                                                                                   |
|---------------------------------------------------------------|-----------------------------|-----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economic Opportunity Council of SF<br>March 2003 - March 2004 | \$ 75,000.00                | \$ 75,000.00                | Food Pantry/Distribution - Expand current pantry program @ Potrero Hill Family Resource Center to include: Saturday services, nutrition education program, provide healthy food certificates and some home deliveries.                                   |
| St. Gregory's Food Pantry<br>March 2003 - March 2004          | \$ 39,500.00                | \$ 39,500.00                | Food Pantry - Open 2 new pantries in BVHP & PFI and provide emergency food bag when overflow of people occurs.                                                                                                                                           |
| Girls 2000<br>March 2003 - March 2004                         | \$ 75,000.00                | \$ 75,000.00                | Community Garden/Distribution/Education - Expand current after-school/evening care program for girls in BVHP to include: education program, creation/maintenance of community gardens, work at food pantry, nourish girls in program with healthy foods. |
| <b>TOTAL FOR FOOD SECURITY GRANTS</b>                         | <b>\$ 189,500.00</b>        | <b>\$ 189,500.00</b>        |                                                                                                                                                                                                                                                          |

## **Rolling Grants Awarded**

| <i>Applicant Name/<br/>Project Start and End Dates</i>                                                                                 | <i>Amount<br/>Requested</i> | <i>Funding<br/>Approved</i> | <i>Project Summary</i>                                                                                                                                                                                                |
|----------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Residents Association of All Hallows Garden and Shoreview Environmental Justice Movement, Inc. (Patnership)<br>March 2003 - March 2004 | \$ 30,000.00                | \$ 30,000.00                | Improve indoor air quality and assist with environmental health impacts experienced by residents of Shoreview and All Hallows Garden apartment complexes in BVHP.                                                     |
| Communities for a Better Environment<br>March 2003 - March 2004                                                                        | \$ 30,000.00                | \$ 30,000.00                | Provide technical assistance to residents and CBO's in BVHP and Portrero on energy programs and resources to be put in place in SF. Mobilize community to participate in future electricity resource decision-making. |
| Kids in Parks<br>April 2003 - June 2004                                                                                                | \$ 17,686.00                | \$ 17,686.00                | Add 2 6th grade classes from Gloria R. Davis Middle School to Kids in Parks. Field trips and lesson plans relate to sites in BVHP.                                                                                    |
| Greenaction for Health and Environmental Justice<br>March 2003 - March 2004                                                            | \$ 50,000.00                | \$ 50,000.00                | Continue Green Energy Environmental Justice Project - shut down of HP Power Plant, promote energy conservation and renewables through outreach. Mobilize community to influence gov't decisions around energy issues. |
| <b>TOTAL FOR ROLLING GRANTS</b>                                                                                                        | <b>\$ 127,686.00</b>        | <b>\$ 127,686.00</b>        |                                                                                                                                                                                                                       |

**TOTAL FOR ALL GRANTS \$ 317,186.00 \$ 317,186.00**

**TOTAL CONSULTANT COSTS \$ 25,000.00 \$ 25,000.00**

**TOTAL REQUESTED RELEASE \$ 342,186.00 \$ 342,186.00**

## ATTACHMENT IV - SF ENVIRONMENT - LEED Certification Services for Heron's Head Park Living Classroom

| Service                                                       | Staff Member           | Rate (\$/hr) | Est. Hours | Subtotal | Totals    |
|---------------------------------------------------------------|------------------------|--------------|------------|----------|-----------|
| LEED Certification Coordination Services                      | VP/Sr. Project Manager | 165          | 10         | 1,650    |           |
|                                                               | Sr Designer            | 115          | 66         | 7,590    |           |
|                                                               | Administrative Staff   | 55           | 14         | 770      | \$10,010  |
|                                                               |                        |              |            |          |           |
| LEED Documentation Services for Architect's Credits           | VP/Sr. Project Manager | 165          | 5          | 825      |           |
|                                                               | Sr Designer            | 115          | 32         | 3,680    | \$4,505   |
|                                                               |                        |              |            |          |           |
| LEED Documentation Services for Mechanical Engineer's Credits | Principal Engineer     | 135          | 4          | 540      |           |
|                                                               | Project Engineer III   | 95           | 40.5       | 3,848    |           |
|                                                               | Administration         | 50           | 12         | 600      | \$4,988   |
|                                                               |                        |              |            |          |           |
| Commissioning Services for Energy Prerequisite 1              | Principal Engineer     | 135          | 1          | 135      |           |
|                                                               | Project Engineer III   | 95           | 13.25      | 1,259    |           |
|                                                               | Administration         | 50           | 2          | 100      | \$1,494   |
|                                                               |                        |              |            |          |           |
| Commissioning Services for Energy Credit 3                    | Project Engineer III   | 95           | 9.5        | 903      |           |
|                                                               | Administration         | 50           | 2          | 100      | \$1,003   |
|                                                               |                        |              |            |          |           |
| Miscellaneous Reimbursable Expenses (copying, mailing, etc.)  |                        |              |            | 531      | \$531     |
|                                                               |                        |              |            |          |           |
| US Green Building Council fees                                |                        |              |            | 2470     | \$2,470   |
|                                                               |                        |              |            |          |           |
| Total Consultant Costs                                        |                        |              |            |          | \$25,000  |
| Total Grants Awarded                                          |                        |              |            |          | \$317,186 |
| Total Requested Release                                       |                        |              |            |          | \$342,186 |

Item 6 – 03-0031

**Department:** Health Services System (HSS)  
Department of Human Resources (DHR)

**Item:** Resolution establishing the monthly contribution amount to be made to the Health Service Trust Fund by the City and County of San Francisco, the San Francisco Unified School District, and the San Francisco Community College District for Fiscal Year 2003-2004.

**Description:** The proposed resolution would establish the dollar amount of the employer's contribution to be made to the Health Service Trust Fund by the City and County of San Francisco (City), the San Francisco Unified School District (SFUSD), and the San Francisco Community College District (SFCCD) for FY 2003-2004.

The Health Services Board and the City and County Health Services System, as required by Charter Sections A8.423 and A8.428, have surveyed the ten most populous counties in the State, excluding San Francisco, to determine the average dollar contribution made by these counties toward each employee's medical care insurance, excluding dental and optical care insurance. According to Mr. Jeffrey Hildebrant of HSS, the survey was completed in December of 2002.

In accordance with the Charter, this resolution would establish the FY 2003-2004 monthly contribution rate for health care insurance to be paid by the City, the SFUSD, and the SFCCD, at \$281.21 per month (\$3,374.52 annually) for each eligible, active employee, based on the survey results of the average payment made by the ten most populous counties in California (excluding San Francisco) as shown in the following table of most to least populous county:

| <u>County</u> | <u>Average Contributed<br/>Monthly Amount</u> |
|---------------|-----------------------------------------------|
| Los Angeles   | \$272.27                                      |
| Orange        | 383.50                                        |
| San Diego     | 207.95                                        |
| San Bernadino | 242.53                                        |
| Santa Clara   | 288.18                                        |
| Riverside     | 275.61                                        |
| Alameda       | 265.38                                        |
| Sacramento    | 308.98                                        |
| Contra Costa  | 267.55                                        |
| Fresno        | <u>300.16</u>                                 |
| Total         | \$2,812.11                                    |
| Average       | \$281.21                                      |

According to HSS, the ten-county survey for FY 2003-2004 indicates that the average employer contribution for employee only coverage for the ten most populous counties in California (excluding San Francisco) is \$281.21 per month (\$3,374.52 annually) per employee, excluding dental and optical care insurance. The City's current FY 2002-2003 contribution is \$246.69 monthly (\$2,960.28 annually) per employee. The proposed resolution would establish \$281.21 as the monthly per employee contribution to be made in FY 2003-2004 by the City, SFUSD, and SFCCD for the health insurance costs of their employees. The proposed monthly rate of \$281.21 (\$3,374.52 annually) for FY 2003-2004 represents an increase of \$34.52 per month or approximately 14.0 percent over the \$246.69 monthly rate currently contributed in FY 2002-2003.

Comments:

1. The proposed 14.0 percent increase for FY 2003-2004 is the third most significant proposed increase in the monthly contribution since FY 1990-1991 when the rate increased by 16.3 percent. During the last decade, the annual survey of the other counties has resulted in average monthly contributions that increased minimally in most years and even decreased in FY 1995-1996 and FY 1996-1997. FY 2002-2003 resulted in a 15.3 percent rate increase, followed by the proposed rate increase of 14.0 percent for FY 2003-2004. According to Mr. Hildebrant, the significant proposed increase for FY 2003-2004 reflects the rising cost of health care coverage. Mr.

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

Hildebrant also notes that the rising cost is consistent with the marketplace for health care coverage as reported by Kaiser, Health Net and Blue Shield.

2. According to Mr. Hildebrant, the total current membership in HSS is approximately 40,308, which consists of 1) 29,377 active City and County employees, 2) 8,807 active SFUSD employees, and 3) 2,124 active SFCCD employees. According to Peg Stevenson of the Controller's Office, based on the current 29,377 active City and County employees, the estimated City and County contribution cost for FY 2003-2004 would be \$99,133,274 (Membership 29,377 x \$281.21/month x 12 months), which is \$12,169,128 or 14 percent more than the approximate contribution cost of \$86,964,146 for FY 2002-2003. Of the estimated FY 2003-2004 contribution cost of \$99,133,274, Ms. Stevenson estimates that \$55,173,402, or 55.7 percent would represent General Fund monies, which is \$6,817,950 or 14.1 percent more than the approximate \$48,355,452 General Fund portion in FY 2002-2003.

3. As previously noted, the City's contribution for health care coverage in FY 2003-2004 is equal to the average contribution of the ten most populous counties in California, excluding San Francisco, as determined by an HSS survey taken in December of 2002. According to Mr. Hildebrant, the rates provided by each of the ten counties are those in effect on January 1, 2003. Mr. Hildebrant states that because some of the surveyed counties provide benefits coverage on a calendar year basis instead of on a fiscal year basis, the surveyed counties may subsequently increase or decrease their actual contributions during FY 2003-2004. Therefore, San Francisco's contribution may, in fact, be greater or less than the actual average contributions to be provided by the ten counties during FY 2003-2004. However, because HSS is required by the Charter to collect the comparative data in January of each year, HSS is only able to set its FY 2003-2004 rates based on rates reported by the ten surveyed counties in effect on January 1, 2003.

Recommendation: Approve the proposed resolution.



Harvey M. Rose

cc: Supervisor Peskin  
Supervisor Daly  
Supervisor Maxwell  
Clerk of the Board  
Controller  
Ben Rosenfield  
Ted Lakey

[Budget Analyst Report]

**Susan Horn**

Main Library-Govt. Doc. Section

CITY AND COUNTY



OF SAN FRANCISCO

## BOARD OF SUPERVISORS

### BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642

FAX (415) 252-0461

February 6, 2003

DOCUMENTS DEPT.

FEB 10 2003

SAN FRANCISCO  
PUBLIC LIBRARY

TO: Finance Committee

FROM: Budget Analyst

SUBJECT: February 12, 2003 Finance Committee Meeting

Items 1 and 2 - Files 03-0132 and 03-0145

Department: Airport  
City Attorney

Items: Item 1 File 03-0132  
Ordinance appropriating \$2,500,000 of, Unappropriated Airport Revenues for investigation and litigation expenses by the City Attorney against Tutor-Saliba Construction.

Item 2 File 03-0145  
Resolution approving and authorizing a Contingency Fee Agreement between the City and Farella, Braun and Martel, a law firm selected by the City Attorney, in connection with the litigation initiated by the City Attorney against Tutor-Saliba Corporation and related entities over construction projects at San Francisco International Airport.

Amount: \$2,500,000

Source of Funds: Unappropriated Airport Revenues.

Description: Following consultation in closed session with the Board of Supervisors, the City Attorney initiated litigation on

November 1, 2002, against Tutor-Saliba Corporation and related entities including the Joint Venture Partnership of Tutor-Saliba Corporation, Perini Corporation, and Buckley and Company, Inc, on behalf of the City and County of San Francisco concerning construction projects at the Airport. Tutor-Saliba was the prime contractor for construction of the new International Terminal at San Francisco International Airport. Tutor-Saliba was engaged under a joint venture agreement with the Joint Venture Partnership of Tutor-Saliba Corporation, Perini Corporation, and Buckley and Company, Inc,

The proposed ordinance, File 03-0132, would provide funding from the Airport's Unappropriated Revenues in the amount of \$2,500,000 for the estimated costs of the litigation to be overseen by the City Attorney. The proposed resolution, File 03-0145, would approve a Contingency Fee Agreement between the City and the law firm of Farella, Braun and Martel to serve as outside counsel to assist the City Attorney in this pending litigation matter.

**Item 1, File 03-0132**

Ordinance appropriating \$2,500,000 of Unappropriated Airport Revenues for investigation and litigation expenses by the City Attorney against Tutor-Saliba Construction, and related entities including the Joint Venture Partnership of Tutor-Saliba Corporation, Perini Corporation and Buckley and Company, Inc., regarding construction projects at the Airport.

**Budget:**

A summary budget for the proposed supplemental appropriation is as follows:

|                           |               |
|---------------------------|---------------|
| City Attorney Labor Costs | \$ 863,507    |
| Other Expenses            | <u>80,000</u> |
| Subtotal - City Attorney  | \$ 943,507    |

|                            |                |
|----------------------------|----------------|
| Outside Counsel Fees       | 773,000        |
| Outside Counsel Expenses   | <u>275,000</u> |
| Subtotal - Outside Counsel | \$ 1,048,000   |

|                              |                |
|------------------------------|----------------|
| Experts and Consultants Fees | <u>575,000</u> |
|------------------------------|----------------|

|                              |              |
|------------------------------|--------------|
| Total Estimated Expenditures | \$ 2,566,507 |
|------------------------------|--------------|

**BOARD OF SUPERVISORS**  
**BUDGET ANALYST**

Attachment I to this report provided by the City Attorney contains a detailed budget, including staff hours and hourly rates for (a) the City Attorney's labor costs, (b) the Outside Counsel Fees, and (c) the Experts and Consultants Fees. Additionally Attachment I provides budget details and expenditures for the Other Expenses and Outside Counsel Expenses. The total budget shown above and presented in Attachment I is \$2,566,507, which is \$66,507 more than the requested \$2,500,000 supplemental appropriation. According to Ms. Therese Stewart, of the City Attorney's Office, the additional \$66,507 in estimated expenditures for this litigation will either be absorbed by the City Attorney's FY 2002-2003 budget, or funded from additional appropriations, subject to Board of Supervisors approval, for this litigation should such appropriations become necessary.

According to Ms. Stewart, the City Attorney has incurred total expenditures related to the Tutor-Saliba litigation of \$390,869 during the six month FY 2002-2003 period of July 1, 2002 through December 31, 2002. Therefore, the proposed ordinance should be amended to provide for retroactivity.

**Item 2. File 03-0145**

Resolution approving and authorizing a Contingency Fee Agreement between the City and Farella, Braun and Martel, a law firm selected by the City Attorney, in connection with the litigation initiated by the City Attorney against Tutor-Saliba Corporation and the Joint Venture Partnership of Tutor-Saliba Corporation, Perini Corporation, and Buckley and Company, Inc. over construction projects at the Airport.

Under the Contingency Fee Agreement, the outside counsel, Farella, Braun and Martel, referred to in the agreement as "Assistant Counsel" will receive compensation under an "Hourly Component" and a "Contingency Component".

Under the hourly component, compensation for the "Assistant Counsel" attorney time would be at a discounted "blended" rate, which, according to Ms.

Stewart, are approximately half of Farella, Braun and Martel's average hourly rates, up to a cap of \$2,595,000 for the life of the Litigation ("the Hourly Fee Cap"). According to Ms. Stewart the estimated amount of \$773,000 for the outside counsel under this legislation is for the remainder of FY 2002-2003. Ms. Stewart adds that the fee cap amount of \$2,595,000 was determined through negotiation with Assistant Counsel. The blended hourly rates that would apply under the proposed agreement are \$180 per hour for attorney time spent in 2002 and through June 30, 2003. The hourly rate for attorney time would increase by \$15 per hour on July 1 of each year thereafter. Paralegal hours (legal assistants), which shall be included in the cap would be billed at \$80 per hour. According to Ms. Stewart, the normal hourly fees for Assistant Counsel attorneys ranges from \$235 to \$650 per hour.

The Contingency Component would be paid by the City to the Assistant Counsel only upon the recovery and collection of "Gross Recovery" in the litigation, whether such recovery was by settlement or judgment. "Gross Recovery" is defined as any cash or non-cash consideration such as real and personal property, received by or on behalf of San Francisco or the People of the State of California as a result of the litigation net of

- (a) costs paid or to be paid by the City in connection with the Litigation, including the City Attorney's actual costs for attorney time, other staff time and all other related non-labor costs,
- (b) attorneys' fees incurred or paid by the City for the services of Assistant Counsel or other outside counsel, and
- (c) attorneys' fees incurred by the City Attorney's office to the extent awarded by the court or obtained in settlement.

The Contingency Component shall initially be equal to 20% of any Gross Recovery. Costs and fees shall first be deducted from any recovery and disbursed to the party who incurred them (either the City or outside counsel), before the Contingency Component is determined. If the Assistant Counsel expends attorney and/or legal assistant

time that, when measured at the hourly rates set forth above of \$180 plus \$15 yearly increase (attorneys) and \$80 (paralegal), exceeds the fee cap of \$2,595,000 by more than \$205,000, Assistant Counsel's Contingency Component shall be increased because Farella, Braun and Martel will not have been compensated at all for any hours in excess of the cap of \$2,595,000, according to Ms. Stewart, as follows:

- (a) if fee cap is exceeded by an amount between \$205,000 and \$405,000, the Contingency Component would be 22%;
- (b) if the fee cap is exceeded by an amount between \$405,000 and \$605,000, the Contingency Component would be 24%;
- (c) if the fee cap is exceeded by an amount between \$605,000 and \$805,000, the Contingency Component would be 26%;
- (d) if the fee cap is exceeded by an amount between \$805,000 and \$1,005,000, the Contingency Component would be 28%; and
- (e) if the fee cap is exceeded by an amount greater than \$1,005,000, the Contingency Component would be 30%.

Ms. Stewart states that the amounts noted above which exceed the fee caps were determined through negotiations with outside counsel.

**Comments:**

1. Attachment II, provided by Ms. Stewart, contains an overview of the litigation filed by the City Attorney and a general description of the City Attorney's selection process for outside counsel. The Budget Analyst also requested that the City Attorney provide an explanation of the selection process used to select all other experts and consultants, as well as the financial terms of all other proposals received by the City Attorney from the outside legal firms and the other outside experts and consultants. According to Ms. Stewart, excluding the selection of Farella, Braun and Martel, only one of the other experts and consultants have been selected by the City Attorney as of the writing of this report. Ms. Stewart has informed the Budget Analyst that, due to the sensitive nature of the pending litigation, the City Attorney would only be

prepared to discuss the financial terms including hour and hourly rates of the other law firms considered and the other experts and consultants to be considered in closed session with the Finance Committee.

2. Attachment II, provided by the City Attorney, also summarizes the various contracts held by Tutor-Saliba in connection with Airport construction projects, including approximate values of the initial contract awards and final contract payments, which in all cases increased substantially from the initial contract award amounts. The following table summarizes such contract information.

Contracts Awarded by the Airport to Tutor-Saliba

| <u>Contract</u>                                | <u>Original<br/>Amount</u> | <u>Final<br/>Amount</u> | <u>Increase</u>   |
|------------------------------------------------|----------------------------|-------------------------|-------------------|
| New International Terminal                     | \$248,950,000              | \$514,000,000           | \$265,050,000     |
| Boarding Area G                                | 65,000,000                 | 96,000,000              | 31,000,000        |
| South International Terminal Parking<br>Garage | 52,000,000                 | 62,000,000              | 10,000,000        |
| Concourse H/ AirTrain Station *                | 114,000,000                | 135,000,000             | 21,000,000        |
| AirTrain East Loop Contract                    | 67,000,000                 | 77,000,000              | 10,000,000        |
| AirTrain West Guideway Contract                | <u>60,000,000</u>          | <u>90,000,000</u>       | <u>30,000,000</u> |
| Total Approximate Contract Amounts             | \$606,950,000              | \$974,000,000           | \$367,050,000     |

\* Includes North International Terminal Garage Contract

As shown in the table above, according to the City Attorney, Tutor-Saliba was originally awarded contracts for Airport construction projects in the total amount of approximately \$606,950,000. However, according to the City Attorney, the final contract payment amounts, after change orders, were approximately \$974,000,000, which is

\$367,050,000 or 60.5 percent in excess of the original contract awards.

3. According to Ms. Mara Rosales, of the Airport, the Airport is not prepared to comment on the proposed ordinance and the proposed resolution at this time. Ms. Rosales adds that the Airport will provide its comments directly to the Finance Committee.

4. As noted above, although File 03-0132 will appropriate \$773,000 in outside counsel fees and \$275,000 of outside counsel expenses, or a total of \$1,048,000, for the firm of Farella, Braun and Martel, the proposed Contingency Fee Agreement (File 03-0145) with Farella, Braun and Martel contains a cap of \$2,595,000 for the life of the litigation. All amounts payable to Farella, Braun and Martel, in excess of the \$1,048,000 proposed for appropriation in File 03-0132, would be subject to Board of Supervisors appropriation approval.

5. As noted in Attachment II, the City Attorney estimates that the City will have to spend a total of between \$6.5 million and \$7.5 million to litigate this case to its conclusion.

**Recommendations:**

1. Because expenditures of \$390,869, to be funded from the proposed supplemental appropriation, have previously been incurred by the City Attorney during the six month FY 2002-2003 period of July 1, 2002 through December 31, 2002, the proposed ordinance, File 03-0132, should be amended to provide for retroactivity.

2. Approval of the proposed ordinance, File 03-0132, as amended, and the proposed resolution, File 03-0145, is a policy matter for the Board of Supervisors.

**FY 2003 Budget  
Tutor-Saliba Litigation**

| <b>City Attorney's Office</b>                                                                     | <b>Hourly Rates</b> | <b>Hours</b> | <b>Budgeted Amount</b> |
|---------------------------------------------------------------------------------------------------|---------------------|--------------|------------------------|
| AB44 Attorney (TS)                                                                                | \$168.30            | 700          | \$117,810              |
| 8193 Attorney (JH)                                                                                | \$169.14            | 250          | 42,285                 |
| 8178 Attorney (GG)                                                                                | \$137.16            | 1,540        | 211,226                |
| 8182 Attorney (DN)                                                                                | \$159.89            | 250          | 39,973                 |
| 8182 Attorney (LS)                                                                                | \$159.89            | 800          | 127,912                |
| 8183 Attorney (GW)                                                                                | \$168.30            | 100          | 16,830                 |
| 8155 Chief Investigator (TA)                                                                      | \$134.64            | 20           | 2,693                  |
| 8152 Sr Investigator (GS)                                                                         | \$112.76            | 450          | 50,742                 |
| 8151 Investigator (GC)                                                                            | \$107.71            | 600          | 64,626                 |
| 1071 IT Specialist (DR)                                                                           | \$120.33            | 30           | 3,610                  |
| 8151 Paralegal (TL)                                                                               | \$107.71            | 700          | 75,397                 |
| 8151 Paralegal (JW)                                                                               | \$107.71            | 750          | 80,783                 |
| 8151 Paralegal (ER)                                                                               | \$107.71            | 275          | 29,620                 |
| Document and Hard Drive Imaging                                                                   |                     |              | 25,000                 |
| Travel                                                                                            |                     |              | 25,000                 |
| Messenger and Delivery Services                                                                   |                     |              | 15,000                 |
| Process Server Services                                                                           |                     |              | 15,000                 |
| <b>Subtotal City Attorney</b>                                                                     |                     |              | <b>\$943,507</b>       |
| <b>Outside Counsel</b>                                                                            |                     |              |                        |
| Senior Partner (DP)                                                                               | \$300               | 300          | 90,000                 |
| Senior Partner (DY)                                                                               | \$180               | 150          | 27,000                 |
| Senior Partner (AH)                                                                               | \$180               | 250          | 45,000                 |
| Junior Partner (SS)                                                                               | \$180               | 1000         | 180,000                |
| Associate                                                                                         | \$180               | 1000         | 180,000                |
| Associate                                                                                         | \$180               | 500          | 90,000                 |
| Associate                                                                                         | \$180               | 250          | 45,000                 |
| Paralegal                                                                                         | \$80                | 750          | 60,000                 |
| Paralegal                                                                                         | \$80                | 500          | 40,000                 |
| Paralegal Clerks                                                                                  | \$80                | 200          | 16,000                 |
| Database Creation and Maintenance (in excess of base amount included in firm's cost contribution) |                     |              | 100,000                |
| Copying                                                                                           |                     |              | 50,000                 |
| Filing Fees                                                                                       |                     |              | 10,000                 |
| Travel                                                                                            |                     |              | 25,000                 |
| Messenger and Delivery Services                                                                   |                     |              | 15,000                 |
| Postage and Mail Services and Long Distance Charges                                               |                     |              | 25,000                 |
| Deposition Reporting and Transcripts                                                              |                     |              | 50,000                 |
| <b>Subtotal Outside Counsel</b>                                                                   |                     |              | <b>\$1,048,000</b>     |
| <b>Experts and Consultants</b>                                                                    |                     |              |                        |
| Scheduling                                                                                        |                     |              | 200,000                |
| Construction Methodology                                                                          |                     |              | 50,000                 |
| Auditing                                                                                          |                     |              | 200,000                |
| Claims Examiner                                                                                   |                     |              | 125,000                |
| <b>Subtotal Experts and Consultants</b>                                                           |                     |              | <b>\$575,000</b>       |
| <b>Grand Total:</b>                                                                               |                     |              | <b>\$2,566,507</b>     |

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CITY ATTORNEY



DENNIS J. HERRERA  
City Attorney

THERESE M. STEWART  
Chief Deputy City  
Attorney

DIRECT DIAL: (415) 554-4708  
E-MAIL: therese.stewart@sfgov.org

**MEMORANDUM  
PRIVILEGED & CONFIDENTIAL**

TO: Ken Bruce *MS*  
FROM: Therese M. Stewart  
Chief Deputy City Attorney  
DATE: February 4, 2003  
RE: Appropriation for Tutor Saliba False Claims Litigation

---

As you requested, the following summarizes the allegations of the complaint, describes the status of the case, and sets forth our conclusion about the strength of the case and the likelihood of prevailing and recovering more than the amount the City will invest in the case.

City Attorney Louise Renne began investigating Tutor-Saliba in connection with its work on seven airport construction contracts approximately two years ago, having been apprised of litigation between the Los Angeles Metropolitan Transit Authority ("MTA") and Tutor-Saliba regarding construction of a major transportation project in Southern California. That suit alleged a pattern of MBE fraud and fraudulent change orders by Tutor-Saliba in connection with the MTA project. City Attorney Dennis Herrera continued the investigation after he took office. Deputy City Attorneys reviewed thousands of pages of documents, obtained consultant assistance, and interviewed witnesses. While the City Attorney's investigation of this case was pending, the court in the MTA litigation entered a judgment against Tutor of approximately \$60 million, of which about half was for damages and penalties and about half was for attorneys' fees and costs. The Court in the MTA case found that Tutor had hidden and destroyed evidence and imposed issue sanctions against Tutor on that ground.

The City Attorney twice met with Tutor-Saliba's principal, Mr. Ronald Tutor, and his counsel. Initially Mr. Tutor agreed to cooperate and provide relevant documents, but later he refused to provide certain highly relevant documents notwithstanding contract provisions that plainly entitled the City to review those documents.

In November 2002, after briefing the Board of Supervisors, the City Attorney commenced litigation against Tutor Saliba entitled: City and County of San Francisco, et al v. Tutor-Saliba Corporation, et al. The suit alleges that Tutor-Saliba Corporation and an affiliated joint venture engaged in a sophisticated multifaceted scheme to defraud the City, consisting of at least the following:

Memorandum  
Privileged & Confidential

TO: Ken Bruce  
DATE: February 5, 2003  
PAGE: 2  
RE: Appropriation for Tutor Saliba False Claims Litigation

---

- Tutor conspired with, and in some cases actually *created*, bogus "minority" subcontractors so that it could pretend to comply rather than actually comply with San Francisco's outreach program for local disadvantaged minority and women-owned businesses and thereby illegally enhance its chances of obtaining these lucrative Airport construction projects. Tutor inflated the amount of work and materials attributed to minority contractors by, among other things, claiming that materials it had actually ordered had been ordered by the MBE subcontractor. In fact, Tutor itself solicited the bids for the materials and passed those bids on to the MBE subcontractor.
- Tutor deliberately failed to comply with contract provisions requiring it to give the Airport timely construction schedules and other documents, which allowed it to manipulate the construction schedules, claim delays that were not real, attribute delays to Airport changes when they were the result of Tutor's own or its subcontractors' conduct, claim that it had accelerated the work when it had not, and extract tens of millions of dollars of additional payments from the Airport that it was not entitled to.
- The complaint further alleges that Tutor submitted change orders to the Airport that falsely claimed Tutor-Saliba had to do unexpected work and provide additional materials that were not included in its bid because the plans and specifications for the project did not clearly require that work or those materials, when in fact Tutor *had* included the work and materials at issue in its bid and was already being compensated for them under the base contract amount.

The complaint asserts causes of action for false claims, violation of the Racketeering Influenced and Corrupt Organizations Act, fraud, unfair competition, and breach of contract.

The seven Tutor contracts the lawsuit concerns and the original and final (after change orders) amounts of those contracts are as follows:

- 5500.E – the New IT Contract. The original contract amount was \$248,950,000. The actual cost, after payment of TSPB's change orders, was approximately \$514 million.
- 5520.E – the Boarding Area G Contract. The original contract price was \$65 million. As the prime contractor, TSPB collected an additional \$31 million on this project, making the final contract price more than \$95 million.
- 5600.C – the South IT Parking Garage Contract. The original contract price was \$52 million. Tutor-Saliba garnered an additional \$11 million in contract modifications, making the final contract price approximately \$62 million.

Memorandum  
Privileged & Confidential

TO: Ken Bruce  
DATE: February 5, 2003  
PAGE: 3  
RE: Appropriation for Tutor Saliba False Claims Litigation

---

- 5670.A – the Concourse H/AirTrain Station Contract. Tutor-Saliba originally agreed to do this work for \$114 million, but, as prime contractor, obtained an additional \$25 million from San Francisco. The final contract price was approximately \$135 million.
- 5671.A – the North IT Garage Contract. For construction purposes, this project, awarded to Tutor-Saliba, is and was treated as part of Contract 5670.A.
- 5700.A – the AirTrain East Loop Contract. The original contract price was \$67 million. As prime contractor, Tutor-Saliba obtained another \$11 million in contract modifications, bringing the final contract price to approximately \$77 million.
- 5700.B – the AirTrain West Guideway Contract. At time of award, the contract price was \$60 million. As prime contractor, Tutor-Saliba collected nearly \$30 million in additional payments. The final contract price surpassed \$90 million.

The change orders in part reflect increased costs legitimately attributable to changes the Airport made to the project after the initial contracts were entered into. The City Attorney believes, however, that a significant portion of the change order increases is the product of fraud on Tutor Saliba's part.

After briefing the full Board of Supervisors on the case in closed session, on November 1, 2002 the City Attorney filed the Complaint in the federal district court for the Northern District of California. At the time he briefed the Board, the City Attorney indicated he would return soon to seek an appropriation to fund the litigation, once he had concluded discussions with prospective outside co-counsel. Prior to and following the briefing of the Board, the City Attorney met with several law firms and discussed potential representation of the City in the case, as co-counsel with deputy city attorneys, on a fully or partially contingent basis. The City Attorney selected counsel based both on (1) the quality and expertise of the lawyers involved, including significant complex commercial litigation and construction litigation expertise; and (2) the terms the prospective counsel offered. It is the City Attorney's conclusion that the co-counsel fee agreement proposal referred to in the appropriation request represents both the best legal talent for this litigation and the most favorable economic terms the City could realistically obtain. Large construction cases are almost never undertaken on a contingent basis because of their size and complexity. Obtaining a proposal to represent the City on the partially contingent basis therefore is a testament to a strong belief by outside counsel in the case.

The City Attorney anticipates that the litigation will take 3 years to complete, and that further appropriations will be necessary. The total amount the City Attorney estimates the City will have to spend to litigate the case to its conclusion is approximately \$6.5 to 7.5 million. The City Attorney believes there is a strong likelihood both that the City will prevail in the litigation

CITY AND COUNTY OF SAN FRANCISCO

OFFICE OF THE CITY ATTORNEY

**Memorandum  
Privileged & Confidential**

TO: Ken Bruce  
DATE: February 5, 2003  
PAGE: 4  
RE: Appropriation for Tutor Saliba False Claims Litigation

---

and that the City will recover an amount that substantially exceeds what it will cost to litigate the case to conclusion.

Items 3 and 4 – Files 03-0093 and 03-0131

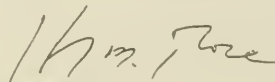
**Department:** Mayor's Office of Public Finance

**Items:** Item 3 - 03-0093 - Ordinance appropriating \$5,229,072 from the sale of lease-revenue bonds by the City and County of San Francisco Finance Corporation to fund the purchase of equipment Citywide for Fiscal Year 2002-2003.

Item 4 - 03-0131 - Resolution approving the form of and authorizing execution and delivery by the City and County of San Francisco of an equipment lease Supplement No. 10 (Series 2003A Bonds) between the City and County of San Francisco Finance Corporation, as lessor, and the City and County of San Francisco, as lessee, with respect to the equipment to be used for City purposes, a related certificate of approval and a continuing disclosure certificate; approving the issuance of lease revenue bonds by said nonprofit corporation in an amount not to exceed \$11,750,000; providing for reimbursement to the City and County of San Francisco of certain City expenditures incurred prior to the issuance of lease revenue bonds; and providing for the execution of documents in connection therewith and ratifying previous actions taken in connection therewith.

**Comment:** Mr. Ben Rosenfield of the Mayor's Budget Office has requested that the proposed resolution and ordinance be continued by the Finance Committee and transferred to the Budget Committee.

**Recommendation:** As requested by the Mayor's Office, continue the proposed resolution and ordinance.



Harvey M. Rose

cc: Supervisor Peskin  
Supervisor Daly  
Supervisor Maxwell  
Clerk of the Board  
Controller  
Ben Rosenfield  
Ted Lakey

BOARD OF SUPERVISORS  
BUDGET ANALYST









